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Social Conflict Specialists on Terrorism

954F3008A Moscow DELOVOY MIR in Russian 29 Jul 95 p 4

[Responses to questions of DELOVOY MIR observer Lina Tarkhova by two members of the staff of the Russian Academy of Sciences Sociology Institute Center for Conflict Study; place and date not given: "Terrorism—This Now Concerns Us Also"]

[FBIS Translated Text] Study of the problems of terrorism is one further field in which we lag hopelessly behind the developed countries, despite the fact that the territory of the former USSR is becoming a most vulnerable zone in this respect. This was recently so brutally and bloodily confirmed by the incident in Budennovsk. Yet study of the nature of terrorist activity and a possible increase in it could be of enormous practical significance: The forecasting, early diagnostics, ascertainment of the risk factors, and a search for ways to neutralize and forestall terrorism could considerably reduce this global threat.

We have scholars who have made the study of terrorism their profession. They are terrologists, representatives of a new scientific discipline which has arisen within the framework of conflict study. But such specialists can with us be counted on the fingers of one hand as yet. And perhaps only their colleagues in related sciences, in the main, know as yet about their existence and about the fact that there are recommendations that could make the fight against terrorism effective. But more often than not those who have in practice to deal with terrorists: officers of state security, the police, and the Spetsnaz and representatives of the power structures, simply have no inkling of this. For this reason they frequently act incompetently and unprofessionally. The price of this is human lives.

What is terrorism? Is there a Russian "modification"? What are its roots? What lessons does the Budennovsk tragedy teach? These questions of DELOVOY MIR observer Lina Tarkhova are answered by members of the staff of the Russian Academy of Sciences Sociology Institute Center for Conflict Study—the lead scientific subdivision in the study of social conflicts and terrorism, which is closely connected with them.

Yevgeniy Stepanov, candidate of philosophical sciences, leader of the center: 'To the Manner Born'

Our center emerged and addressed itself to a conflict-study analysis of Russian society not long before the events of August 1991, when it had become absolutely clear that tension was increasing rapidly in society and that it was entering a period of serious upheavals and cataclysms. We were almost immediately paying considerable attention to terrorism. Because even then it had begun to manifest itself increasingly distinctly as a dangerous form of the behavior of individuals and whole organized groups which demolishes public order, creates a situation of sharp confrontation, and thereby destabilizes and disrupts the entire course of social life.

Arising in an atmosphere of crisis processes growing in society and the social, political, interethnic, and other conflicts closely connected with them, terrorism itself, in turn, exacerbates and complicates them to the utmost. For this reason a comprehension of its nature and of the means and methods of struggle against it is becoming an increasingly important and urgent problem of social theory and practice. Particularly in the period of transition from totalitarianism to democracy, through which our society is passing at this time, experiencing a succession of serious crises and even catastrophes with grim echoes in the life and fate of large masses of the populace.

Some people would like to blame the democratic organization of social life itself for the surge of terrorism which is being observed today not only with us but in other countries also, including such democratically developed countries as Japan and the United States. This is, of course, completely wrong. As a social phenomenon, terrorism emerged a long time ago and has been employed in different eras under the most diverse systems of state structure. This was the case, for example, even before the birth of Christ, when Brutus stabbed Caesar to death from "moral" considerations, wishing thereby to rid the people of Rome not only of a despot but of despotism also, inducing his supporters and followers to fear the same fate. Or in medieval Spain, for example, where terrorism was used both within the country, when the Inquisition terrorized the populace in the name of the Almighty, and in foreign relations, when the Spanish Crown, forming not only individual piratical crews but also whole brigand squadrons designed to instill fear in all seafarers, endeavored in this way to secure for Spain the role of premier sea power.

Just these short historical digressions show that terrorism has a very venerable length of service, roaming from era to era and from one social system to another and assuming here the most diverse forms, depending on the particular features of locale, time, and specific ideological motives. The Red Brigades, say, which terrorized the population of Italy in the 1960's-1970's in the ideological soil of the most "resolute" struggle against the "rotten" capitalist system, may serve as historical examples of terrorist activity closer to our time. Or the illegal Irish Republican Army, which even recently was attempting to defend by terrorist methods the interests of the Catholic minority in Ulster.

So that if we turn to the social roots of terrorism, it is by no means a question of democracy but rather of the fact that there have always been in any society extreme radical, extremist forces that are unhappy with these actual conditions or the other and aspire to transform them with the use of violent means, up to and including the most barbaric and inhuman.

It is democracy, on the contrary, which, as it develops, makes it possible to cultivate increasingly efficient mechanisms to harmonize the interests of different social groups instead of their counterpoise and the "punching through" of some in defiance of others by means of "power" measures, as is customary under other regimes. In this way it not only softens the brutality naturally inherent in acts of terrorism but also increasingly knocks the moral and social soil from beneath their feet. Who will present and realize his interest in so dangerous and inhumane a way if it can be taken into consideration and secured considerably more easily and simply by way of normal negotiations with his opponents and the determination of joint measures of mutual benefit to all?

And if, as we are seeing today in the example of a number of terrorist explosions in the United States or gas attacks in Japan, acts of terrorism still occur even in the most democratically developed countries, this reveals the "incompleteness" of democracy in the ascertainment and concordance of some important group and social interests and points to the need for a further improvement of democratic principles, but by no means for their curtailment or, even less, rejection.

This need brought into being, incidentally, both modern conflict study and terrology as an integral part of it inasmuch as they have from the very moment of their emergence been geared to substantiating and proposing for implementation ways and measures of the settlement of social conflicts which transfer the behavior of their participants from a form of confrontation oriented mainly toward the use of violence in relation to each other and the compulsion of the opponent to act "properly," however that might be, according to a script favoring only themselves into a form oriented toward a search for a possible compromise or even consensus with the opponent, that is, partial or full mutual understanding with him making it possible to establish mutually beneficial cooperation.

What connection does what has been said have with our present Russian reality? The most direct connection, I believe. Only a complete ignoramus could maintain that terrorism has arisen here only now, under the crisis conditions of the transition from totalitarianism to democracy. On the contrary, totalitarianism, of which we have finally begun to rid ourselves, represented by its very nature a regime which extensively and readily put violence "on the public payroll" and made it part of its arsenal. And, consequently, terrorism also, as its most aggressive and drastic manifestation. In addition, it monopolized the latter, converting it into an all-purpose tool of state administration. Whence there arose with us the diverse forms of the terrorizing of the populace and all its groups and strata in the guise of "struggle against enemies of the people," which have been described so strikingly and impressively in our journalism, public affairs writing, and fiction and poetry of recent decades.

Totalitarianism as a social structure, as a system of particular social relationships, has at the present time, thanks to the democratic transformations that have begun here, been destroyed in our country, in the main. But it is naive to think that it has left absolutely no trace. On the contrary, a most unpleasant, but steadfast consequence of it is the fact that it has left a heavy imprint on the consciousness, habits, and stereotypes of mass behavior which are being manifested continually in our day-to-day reality. Having arisen and grown up under this regime, we are all still, like Hamlet, "to the manner born." Is this not the source here of such mass "intolerance," impatience with one another, and the readiness in contentious instances to immediately make of our opponent an enemy, to whom it is necessary to apply force and to suppress him, and if he does not "yield" and resists, to wipe him out. Are there not here the common ideological sources and abundant soil for any terrorism, whatever the scale and specific forms it assume?

The preservation of the former stereotypes of mass consciousness and behavior contributing to the spread of terrorism is manifested particularly graphically in the notions as to what constitutes a "strong state" and "strong policy." The prevailing opinion not only in the masses of the population but, which is even more disturbing, in the mass of politicians and "statesmen" is that a strong state is one that is capable of compelling by force the fulfillment of what it wants and is endeavoring to realize. Correspondingly, a policy is assessed as strong when it is based on power methods of support of the political will.

The modern approach to political power accepted in the developed democratic countries is entirely different. There the authorities and policy are considered strong merely to the extent that they are capable of attracting the bulk of citizens and of obtaining their approval. It is clear that terrorists cannot have either soil or support among such citizens, who are not deprived of the state's attention and who are satisfied by its policy. This soil is even weaker and the rebuff of terrorism stronger where the population is not only satisfied by the activity of the state but is itself also active, independent, and self-organized, monitoring and resolving its own problems as it sees fit. In such a social milieu terrorism is deprived of the intrinsic conditions for emergence, and if it appears from outside, it encounters concerted and effective resistance.

All the above-mentioned considerations are an ultra-brief recounting in "telegraphese" of certain results of the analytical activity that is performed within the framework of the Center for Conflict Study by dozens of qualified experts—specialists from various spheres of social science and the study of human nature: sociology, social psychology, terrology, ethnic conflict study, science of law, criminology, political science, social control theory, administration, culturology, and so forth, employing their data for the study and placement of various social conflicts. A fuller acquaintanceship with the results of this activity presented in the context of the corresponding figures, facts, verification, and substantiation is possible in the series of special-subject releases published by the center "Social Conflicts: Expert Evaluation, Forecasting, Resolution Techniques," which is gradually becoming a specialized scientific-current affairs journal.

Events similar to those that occurred recently in Budennovsk are, incidentally, predicted among the proferred forecasts of possible directions and forms of a stimulation of terrorist activity. Unfortunately, the insufficient attention to such forecasts on the part of practical politicians and other persons adopting responsible state decisions contributed to this prediction becoming a tragic reality.

If we attempt to evaluate in brief what happened, it has to be acknowledged that the events in Budennovsk represent a metastasis, so to speak, of the violence unthinkingly, uncircumspectly, and, it may even be said, illegitimately employed in Chechnya by the Russian authorities. The violence engendered here retaliatory violence and could not have engendered anything else, particularly in the region of the North Caucasus, where the traditions of the "blood offense" and "blood vengeance" are strong. The Chechen combatants attempted by brutal means of terrorist operations against the peaceful population to realize an idea which essentially does not jibe with this brutality: to bring to an end the bloody carnage that has been going on in their homeland for more than six months now, causing unprecedented destruction and numerous losses for both belligerents. The brutality, as is frequently the case with terrorist acts, was applied in the wrong quarters: totally innocent people suffered. But the main goal at which it was directed and which is typical of any terror—compelling the adversary to take fright, hesitate, and retreat from his former intentions—was, nonetheless, achieved: The central authorities came to an agreement. One wonders in this case: Would it not have been better for them to have agreed to it without these numerous losses in Chechnya and Budennovsk, having from the very outset attempted to resolve the disputed problems without the use of violence, by way of negotiations and a joint search for mutually beneficial compromise?

The events in Budennovsk, as in other instances of the use of terrorist operations, teach us that they are to a great extent conditioned not only by the particular features of the mentality and the spiritual world of the personalities and groups that have resolved to appeal to terror but also by the mistaken behavior of the authorities. Life forces the authorities to rectify these mistakes, but society pays dearly for this, and this payment is frequently in blood, human suffering, and lives. Both Chechnya and Budennovsk once again show clearly what colossal danger for society is contained in violence generally and violence elevated to a form of official policy in particular. And what abundant soil it affords for a variety of terrorist activity. Putting an end to it, therefore, in interstate, interethnic, intergroup, interpersonal, and all other social relationships is the main task of our day. And the main weapon for combating terrorism. On the part of the state included. Unless it understands this, all its antiterrorist efforts are doomed to fail for they will be addressed merely to the "tops," not the "roots," of terrorist activity.

Very briefly about the personality of Shamil Basayev. It is complex and contradictory inasmuch as it reflects the contradictoriness of terrorism itself as a social and psychological phenomenon. The terrorist is a criminal inasmuch as he adopts for his arsenal extreme brutality, not stopping short even at killing. But he is a "moral" criminal, and this distinguishes him from the rest of the criminals driven mainly by selfish interest. As a rule, his appeal to terror is preceded by a certain spiritual upheaval deforming his mentality, hardening his consciousness, and blunting his natural moral feeling of compassion for his neighbor. In this case this upheaval for Basayev personally was, evidently, the death of his family during the bombardment by federal forces. Combating the terrorist activity of such personalities and making every effort to put a stop to it is essential, therefore. But at the same time it is also necessary, it would seem, to try to penetrate their moral world and mentality in order to enhance the efficacy of these efforts as much as possible.

Professor Svetozar Efirov, doctor of philosophical sciences, lead scientific associate of the center, author of a number of books and articles on terrorism:

'Professionalism Is the Key'

I have long considered that it is essential to create in our country a group of specialists in problems of terrorism—scientists and practical experts—who would tackle this subject in earnest. The Budennovsk incident showed that there can be no delay in the organization of such groups. Only professionals can be effectively pitted against terrorists. The Israeli MOSSAD is known for its high professionalism. Back in 1972 the Israelis demonstrated dazzling skills, freeing in Uganda in a lightning rush, without casualties, an aircraft that had been hijacked by terrorists. The operation was carried out brilliantly and had been preceded by numerous rehearsals. Our people frequently do not know the elementary principles, developed long since, of antiterrorist struggle. We, as usual, reinvent the wheel, and, as a result, people die. This is all the more unforgivable in that enormous experience, which must be thoroughly studied, has been accumulated in the world. But we reasoned until recently roughly as follows: It is the Americans who need to study terrorism, we do not have this problem. And when terrorism assumed significant proportions on our territory, we proved to be unprepared for this. Yet there are, as we have said, a number of principles, knowledge of which could lessen appreciably the negative consequences of terrorist acts.

One of them is that it is essential to do everything possible to prevent the suffering of hostages. To make the maximum possible concessions, granting the terrorists money, transport, and so forth, in order to save people. Another principle is, while yielding in details, not to yield on matters of principle, fundamental political issues, for example. Very great caution should be displayed by the news media, which can easily turn terrorists into heroes and hinder the operations of the antiterrorist forces.

In cases where hostages are taken, the so-called "Stockholm syndrome" is very often manifested. It essentially means that mutual understanding, mutual affection almost, arises between the hostages and their captors. Listening to the communications of the hostages, this should be taken into consideration.

It is essential to make a thorough study of many problems connected with contemporary terrorism, specifically, social, psychological, and conflict-study problems. Terrorism can even be connected with the problem of survival. The time has come when terrorism has become a truly catastrophe-potential factor. Global catastrophes could be linked with terrorism in the future.

Terrorism is the possible detonator of interethnic and civil wars. It is capable of taking possession of weapons of mass destruction and using them. We recall the recent events in Japan or the threats of Shamil Basayev.

There has been a sharp growth in our time in other possibilities of terrorism also. In some places terrorist activity has become systematic and wide-ranging. It sometimes become a professional flow system incorporating specialists of various profiles, there being here experts in weapons and explosives, operational techniques, and radio and electrical engineering, printers, photographers, medical personnel, auto mechanics, communications experts, lawyers—the list could be continued.

The terrorists have in their arsenals, as distinct from the recent past, modern types of arms, including computer equipment and missile technology. In the opinion of some experts, the level of equipment of some terrorist organizations is comparable with that of regular armies.

But a truly catastrophe-potential situation could arise if terrorists manage to acquire or manufacture weapons of mass destruction. This possibility has been considered in numerous studies and has also long been a topic of discussion among the extremists themselves. And, many observers believe, it was inevitable, as recent events have borne out. But even prior to them extremists in various countries had on more than 100 occasions resorted to threats to use weapons of mass destruction. Attempts to use poison gas have been made repeatedly.

The possibility of an attack on nuclear facilities represents a great danger. One way or another, this threat needs to be approached with the maximum professionalism—sociopsychological and conflict-study professionalism, particularly. My colleagues and I see it as our job to create a group for the study of this dangerous phenomenon. We have taken the first steps in this direction. Issue No. 7 of the journal "Social Conflicts" is devoted entirely to this problem. We invite all interested parties to cooperate.

Numbers to call: 128-86-64, 454-64-14.

Chita Oblast, Mongolia Sign Cooperation Agreements

95P50159A Moscow DELOVOY MIR in Russian 9 Aug 95 p 2

[Article by Aleksey Mikhaylov: "Chita-Mongolia: Steps Toward a Meeting"]

[FBIS Translated Text] Chita Oblast and the neighboring territory of Mongolia have started to return to the times of close cooperation. Six protocols and a concluding agreement on economic and cultural cooperation as well as contacts in the sphere of health care between Chita Oblast and the Dornod [Eastern], Hentiy and Suh-Baatar aymags have been signed as a result of negotiations held by the sides in Mongolia's capital, Ulaan Baatar.

A great deal of preparatory work by commissions and a number of mutual visits by delegations preceded these agreements. For example, at the invitation of the Mongolian aviation company "Urgun," a delegation from the "Chitaavia" AO came to Ulaan Baatar. Issues of cooperation on organizing air freight shipments were discussed. The sides agreed on the delivery of petroleum and petrochemical products in addition to air freight, and also on mutual guarantees of technical services, airplane insurance, and opening of a new air route between Chita and the city of Choybalsan.

Agreements stipulatled that Chita power workers would provide equipment and spare parts, and that specialists would help with the capital repair of the Choybalsan thermoelectric power station and aid in the construction of a 110 kilovolt power line in Dornod Aymag.

Partnership in the ore mining sphere occupies a large section in the agreement. The sides agreed on joint development of deposits of tungsten, tin, molybdenum, zinc and gold on Mongolia's territory. Joint enterprises for producing meat, potatoes and vegetables are to be created. The majority of deals in the agricultural sphere will be implemented on a non-hard currency basis.

Medical personnel, cultural workers, tourist firms and sports societies have also concluded specific agreements.

Political Issues

Luzhkov Examines National Political Scene

954F3034A Moscow ARGUMENTY I FAKTY in Russian Aug 95 No 32, pp 1, 3

[Interview with Moscow Mayor Yuriy Luzhkov by ARGUMENTY I FAKTY correspondent Natalya Zhelnorova; place and date not given; under the rubric "Topical Interview": "Mayor Luzhkov: The Mayor Believes That 10 Years of Perestroyka Were Practically Wasted for the Economy...."]

[FBIS Translated Text] According to the Public Opinion Foundation data, Luzhkov is independent, adversarial, and firm in defending capital city interests in the top echelons of power. He has confidently implemented his line without making any serious mistakes. Frequently meeting both with Chernomyrdin and Yeltsin, he has not squandered his influence, but on the contrary, reinforced his positions. Objectively (regardless of his intentions), he has established himself in public opinion as a national scale figure.

[Zhelnorova] Yuriy Mikhaylovich, as the classic said, Russia has two problems: roads and dimwits. You have gotten a grip on the roads. What is one to do with the dimwits, however?

[Luzhkov] There are fewer dimwits when we do not breed imbeciles, when we are in firm control of the business at hand. When dimwits begin to manage the economy, this turns into great trouble for society. In our country, however, as soon as something begins to stabilize, the state begins to strangle it. An example: the value- added tax [VAT] on construction, and customs duties. These are all extremely foolish decisions with respect to the citizens of Russia. Although it should be obvious that if every family's budget is bursting at the seams, the state economy will not be in good shape either.

[Zhelnorova] Which means we are not going to get rid of dimwits and imbeciles any time soon?

[Luzhkov] You know, sometimes a wrong decision is made. It can be corrected. We, however, sometimes make decisions aimed at achieving a certain goal no matter what. For instance, privatization. Right now only Mr. Chubays sees its results as positive. I said as early as 1992: "The state is not that rich that it can give away free property earned over centuries." Even if this property ends up in the hands of a real owner, still (and even more so) we cannot give it away free. This is the first thing. Second. We need to make a decision regarding which part of the property should remain the property of the state, and which may be sold. You cannot sell everything. Even the most market-oriented states keep in their hands the 25-30 percent of property that is crucial to strategic aspects of the state's life and security. Besides (and this is third), are there reasons compelling the state to sell its property? There can be only one reason: to have this property better managed and developed by a competent owner than it would be by the state. Chubays did not want any of this. He needed, I emphasize, to destroy the state economy.

[Zhelnorova] So in your opinion, outside forces are involved in this?

[Luzhkov] The answer is absolutely obvious. Look at the names of Chubays' advisers who developed the strategy and tactics of this action!

Each country strives to build an economy that will be competitive and have markets. Tell me, who needs a strong competitor? So they found a way to weaken it without spending too much money—through internal counterrevolution.

[Zhelnorova] If we follow this reasoning, we arrive at the conclusion that 1937 is needed all over again!

[Luzhkov] Let us take this reasoning one step further. Where is this new owner who better manages this privatized property transferred to him from the state? In most instances, he still does not exist.

All of this has led to extraordinary criminalization of society. When someone gets something for free, the person next to him becomes jealous and begins to demand participation for himself, his share.

[Zhelnorova] However, for some reason you did not get support from the directors corps or members of the government....

[Luzhkov] Mr. Chubays neutralized the directors corps by giving them part of the property. Five percent of the stock went to managerial personnel. The ZIL [Imeni Likhacheva Auto Works] management is very well aware how much ZIL really is worth. Not the $4 million that was spent to purchase the controlling share of stock but $2.5-3 billion—almost 1,000 times more. Having sold ZIL, one can then get for each share of stock a share of this plant's real value, and suddenly become rich.

[Zhelnorova] We are marking the 10-year anniversary of perestroyka. What were the most crucial positive and negative moments? Perhaps democracy is, after all, not the right road for Russia?

[Luzhkov] Although everything was happening chaotically, the Russian way, the democratic road is not unthinkable for Russia— either in societal life or in politics. In the economic sphere, there should be competition between economic entities (enterprises, companies, banks), but within these entities there should be discipline, dictatorship.

But the important point is that politics should not stand in the way of economics. In our country, politics has always dictated to this "Cinderella" what it should do, what to build, where to put the money: space, defense, aid to who knows whom (political parties abroad).

Do we have such a system? No, we do not. In this sense, 10 years have been wasted. Besides, we should not have copied the schemes invented by the West. Utilize them—yes, experience is always useful. But in our country the authorities must serve the people.

"Moscow's Servant" Maintains That Russia Absolutely Needs Yeltsin

[Zhelnorova] When has it ever been the case that the authorities served the people? These servants would then all scatter as fast as they could instead of being drawn to it like flies to honey!

[Luzhkov] The current authorities' philosophy is suppression and administration. The new authorities will still have to adopt the philosophy of service to society in keeping with the contract that is entered into between the people and the authorities during elections. And the functions of the press will also change. They have always been either being in opposition to the authorities or serving them. It is always easier and more convenient to serve one side. I believe, for instance, that in the new system where "the authorities serve the people," the job of the press is to appraise how this service is carried out.

[Zhelnorova] When you say that the authorities should serve the people, do you include yourself?

[Luzhkov] Of course.

[Zhelnorova] It is becoming very scary to live in Moscow: Criminals kill, rape, and rob people.... What kind of service is it if crime in your kingdom does not subside?!

[Luzhkov] What can I do when a structure close to the president comes on the scene and fires top officials of the Main Administration of Internal Affairs [GUVD] of the city of Moscow without the knowledge of the city government and the mayor?! The security situation is very dismal, and there is a growing trend toward its worsening. This has nothing to do with replacing top officials for political considerations. The cause of the growing crime is the emergence of rich and poor, bad privatization, which resulted in a redistribution of property, and this has never proceeded in any country without bloodshed and criminalization. It is also the lack of restraints and all-permissiveness, which for some reason was immediately called democratization. Up to 40 percent of crime is contributed by "individuals" from the near abroad, where they have enormous unemployment.

[Zhelnorova] Just because we understand the reasons, it does not make it easier. What is the "chief servant" of Moscow doing to make citizens' life safer?

[Luzhkov] Two years ago we were told that the main task is to strengthen the material-technical base of the police. This has been done. The police have facilities, special equipment, vehicles, and communications—almost on a par with the New York police. We have equipped our police to the point where we have the right to demand a return. But instead, top police officials write in the newspapers (this absolutely amazes me) about how many criminal groups there are in Moscow! Which means that they know. Which means the police put up with it, or perhaps even have merged with this criminal world. What do we need such police for? Why did we need to make such an effort to outfit the police?

Laziness, complete loss of initiative, refusal to fulfill mandatory functions even at the stage of registering a crime—this characterizes our police today. The new minister and I demanded a check of integrity of its ranks, establishing strict discipline and responsibility of police personnel, and threatened that otherwise we will start replacing top officials in both the GUVD and its units.

The State Duma also shares the blame. It has not adopted a single serious law against criminals! And all these years normative acts had been working in favor of the criminal instead of the law-abiding citizen.

Add to this the fact that many judges have jumped into various firms where they have huge salaries and complete security. Because today even judges are not safe—threats against them have become a standard occurrence.

[Zhelnorova] We are all tired of politics that simply takes you by the throat. We are tired of seeing squabbles, conflicts, and such. A good politician is one who is unnoticeable but the results of whose stable policy benefit everyone. In your opinion, what kind of president do we need?

[Luzhkov] Yeltsin, 1986 model. I am loyal to him and do not intend to change my views. Yeltsin-1986—forceful, active. Whatever good we currently have in our social life—credit goes to him.

[Zhelnorova] But we are talking about Yeltsin-1996! He has already done everything he could. Why artificially elevate a person? You write: "I remain a member of the president's team and will be loyal to it." Why are you loyal to a person instead of an idea? Anything can happen: He may change his views, become a drunkard, or something else may happen to him....

[Luzhkov] Is not Yeltsin a carrier of ideas? He was the chief ideologist behind the new constitution, which I accepted and consider correct.

I also serve the idea. But I cannot betray. Nobody can say that I played dirty tricks on someone. Many consider me a man with a dictatorial bent. Yes, this is the way I am, but not in politics—in economics, in economic management.

The Mayor Clearly Dislikes Some People in the President's Team

[Zhelnorova] But at the same time you say: "As to Kremlin games, they run counter to my outlook on life."

[Luzhkov] I am a member of the president's team. His advisers— Baturin, Livshits, Satarov—are very intelligent people. Ilyushin is a pearl in the necklace of the presidential retinue. But there are also other team members whom I do not like. They, by the way, also are devoted to the president in their own way.

[Zhelnorova] Share a secret—what is the problem between you and Mr. Korzhakov?

[Luzhkov] Korzhakov apparently does not like my nonconformist judgments and my independence. Although I have a relationship of trust with the president, I do not get involved in Kremlin games. And when Yeltsin stops being president, I will not change my attitude toward him.

The article "Snow Is Falling" also is their creation. Looking from the outside, one can only admire how clever and cunning I am, how I am forming the Moscow group. Why should I argue with them? Let them think this way if they want to.

Remember the situation with the Most-Group and the Presidential Security Service? It turns out that they were looking in the cars for evidence of ties between the Government of Moscow and commercial structures. And they chose the method of assault, beating up drivers. This is some sort of abnormal, sick revenge, absolutely savage in the way it was executed.

[Zhelnorova] In any other country this would have caused a series of resignations.

[Luzhkov] Resignation of this rear admiral? But he is "one of the boys"! And so the procuracy "swallowed" this obvious, shameless violation of the law, of human rights.

[Zhelnorova] You have become a very strong politician, whose rating is constantly rising. This is due among other things to your work, your energy. But many people cannot understand why you so categorically refuse to run for president.

[Luzhkov] I do not like it when people get into a business that is wrong for them. A man like me has no business being in politics. This is a nasty sphere of compromises, maneuvering, scheming, and demagoguery. I absolutely cannot wish something like this for myself.

[Zhelnorova] How would you comment on the situation surrounding Kobzon?

[Luzhkov] The Americans will have to apologize to Kobzon. There is a purposeful attempt to make the singer look like a member of the criminal world or even the head of a criminal structure. I know Kobzon and completely rule out such things. He is not only a talented performer but also a very kind person, who strives to help others. Kobzon is not an unscrupulous man, and he is not involved in shady business.

There Are Two Dictators in the Luzhkov Family, But the Wife Makes More Money....

[Zhelnorova] What could break you?

[Luzhkov] Well, I can be killed, for instance. From the psychological angle, I could be fired. But nobody will ever manage to turn me into a slave, a floor mat to wipe your feet on, or make me conform all the time....

[Zhelnorova] To be able to say this, one has to stand firmly on one's own feet, and in Russia this means having a kitty outside the motherland. Do you have real estate abroad?

[Luzhkov] Why would I need it? I have no plans to leave Moscow. This is my home, and life in Moscow is my life.

[Zhelnorova] Yuriy Mikhaylovich, when you deny the possibility of being fired, where does this faith in your own invulnerability come from?

[Luzhkov] I did not believe that Yeltsin would decide to fire me. Although I do think that it has been suggested more than once to him. And I was right.

[Zhelnorova] You live in the same building as the president. Do you socialize with the president often?

[Luzhkov] We met once in my home. Boris Nikolayevich was enamored with my little ones—my daughters. Our parents were there. Otherwise, he almost never spends time in Krylatskoye. We also live on a state dacha, in the mayoral residence. There are two more dachas nearby—those of Resin and Nikolskiy. As to the apartment on Osennyaya Street, it is no better than many others. The housing we are building now is better by an order of magnitude than this apartment. But we like spending some time there. Not to live, but to spend some time.

[Zhelnorova] You say about your wife that she is a successful businesswoman and now earns even more than you do. But who would not succeed in any business if their husband were city mayor?! It is hard to call this circumstance moral, however....

[Luzhkov] My wife does not do business in Moscow. She and I agreed on this point, and she understands very well that I will not help her in business. She is the director of a plant in Moscow Oblast, which manufactures dyes and items from polymer materials. And not a bad director at that. She runs her ship in a tight, dictatorial manner. And she also raises the children.

[Zhelnorova] How do two dictators coexist in one family?

[Luzhkov] We have never had a quarrel all these years.

[Zhelnorova] How would you appraise your family wealth?

[Luzhkov] As normal. We do not experience difficulties in providing for our needs. My wife earns good money, and my needs are very modest. We do not live in poverty.

[Zhelnorova] Have you built your own home?

[Luzhkov] We have been building a dacha for four years now. Some people privatize state-owned housing. I am against this. When I leave this job I must pass everything over to the next mayor. Otherwise, what happens? Building another suburban residence?

[Zhelnorova] What do you think will happen to the dollar?

[Luzhkov] Stabilizing the exchange rate between the ruble and the dollar is another economic absurdity launched by the Government of Russia. All that can be stabilized is the commodity backing of the ruble. We, however, confuse the consequence with the cause. Nothing will come of it. Maybe the government will manage, with great effort, to keep the dollar from rising until the elections. But immediately after the elections everything will fall its into proper place.

[Zhelnorova] In your opinion, what are the worst qualities of the people you deal with?

[Luzhkov] Betrayal and dishonesty. It really gets me when I encounter dishonesty.

[Zhelnorova] Does it happen often?

[Luzhkov] No. Generally, I make a decision on the assumption that the person is being honest with me. But if a person lets me down once, I do not work with him (unless he was put into such a position by extraordinary circumstances).

[Zhelnorova] Have there been times when you yourself did something very bad, such as betrayal?

[Luzhkov] Betrayal—no. Mistakes happen, of course.

[Zhelnorova] Do you believe that everything will change for the better in our worst of all worlds?

[Luzhkov] If I did not believe this, why make the effort? We often want instantaneous positive results. I like the Chinese in this respect. They say: "We are in no hurry; we have an eternity, and therefore we will calmly proceed with all our transformations as long as is needed." We need to avoid subjecting society to cataclysms—these all-out privatizations, monetary reforms, constant changes and leaps. Quite often they worsen the people's situation instead of improving it.

Russia is used to long-term planning. We need to announce our goals at least for a year. We, for instance, promise to repair 15 million square meters of roads, replace 150 km of major pipelines, build 3.1 million square meters of housing. And Muscovites, knowing what our social program is, at the end of the year ask what the government has accomplished. We know that we will have to account for our work. What does the Government of Russia account for? What all-national ideas is it implementing?

Duma's Analysis Center Leader Interviewed

954F3013A Novosibirsk VECHERNIY NOVOSIBIRSK in Russian 4 Aug 95 p 5

[Interview with Doctor of Economic Sciences Lyudmila Vartazarova, leader of the Analytical Center of the State Duma, by Vadim Yuryev; place and date not given: "The Central Election Commission Could Cheat, But Not Much"]

[FBIS Translated Text]

[Yuryev] What is the Analytical Center, and what does it do?

[Vartazarova] Just 22 employees work in the Analytical Center—the only one for the whole State Duma—whereas, for example, one faction of deputies—the Liberal Democratic Party of Russia—has furnished itself with its own analytical department, which employs about 100 persons. The staff of assistants is roughly the same, incidentally—approximately 100—for one of our deputies, Mavrodi (he does not attend sittings of the Duma, incidentally, and I do not know what all these assistants do in his absence). On the one hand this is amusing, on the other, everything is clear and explicable: Serious work on the preparations for the new elections is under way. The factions and individual deputies need their own experts.

Despite its limited numbers, the Analytical Center, generally, has a wide range of tasks.

We perform the expert evaluation of bills, study via polls changes in the mood of society, and regularly gauge—based on the data of roll-call voting—the political temperature in the Duma itself.

Twelve to eighteen months ago, incidentally, when we graphically depicted the mood of the deputies, a Bactrian camel emerged. That is, the positions of the deputies were, in the main, unequivocally left or implacably right. As of the start of this year the passions of many members of parliament have shifted closer to the center, and the opportunist mood characteristic of 1994 has receded into the background, and our camel has become a dromedary: The influence of the upcoming elections is being reflected increasingly.

This change in the mood of the deputies is understandable at the purely human level, but if we proceed from state interests, this has occurred prematurely because the Duma has not yet adopted laws which complete the construction of the state, as it were, as a system of political institutions.

[Yuryev] So you think that we do not yet have a full-fledged state in a legal respect?

[Vartazarova] Of course. There is, for example, no law "On Government," and rights and obligations have not been distributed between the federal authorities and the components of the Federation. And, generally, our state is at this time unitary rather than federative. This conclusion is borne out, specifically, by the way the constitution was adopted here: by majority vote of the electorate of the country as a whole. In a federative state this had to have occurred differently—a majority of votes has to be mustered in each component of the federation. A small difference, it might seem, but how is the Chechen problem now to be resolved? When the Chechens say that they are not required to observe the Constitution of the Russian Federation because they did not vote for it, there is essentially no objection that can be made to this.

[Yuryev] No one any longer doubts, most likely, that the elections to parliament will be held, as prescribed, this December. But will the electorate go to the polls?

[Vartazarova] We recently specially conducted a poll for the State Duma to ascertain the degree of public political activity. Approximately 60 percent of respondents answered "yes" to the question of whether they would go to the polls in December—this is quite a high figure. The period of apathy in society is over.

[Yuryev] Your forecast concerning the presidential elections? And do you think Boris Yeltsin will take part in them?

[Vartazarova] This is a complete unknown—it will all depend on the results of the parliamentary elections. The president's team will determine from these what the breakdown of political sympathies in society is. The main thing is that specialists will be able to determine quite accurately whether Yeltsin could next summer muster in natural fashion 30 percent of the vote. And if they conclude that he could, Boris Nikolayevich will, it has to be thought, want to remain president for a second term.

[Yuryev] Perhaps these percentages are not that important. Fears are being expressed that the electronic vote-tallying system which will now be used by the Election Committee will make it possible to rig the results of the voting.

[Vartazarova] There are still many questions for the Central Election Commission left over from the last Federal Assembly elections.

We simply do not know, for example, the results of the voting in December 1993: We were told the winners, and the documents were destroyed, and it is not known how many votes the other candidates received.

As far as possible manipulations are concerned, 5-10 percent could be added to the vote this way, but the situation could not be turned inside out.

Banks, Firms Under MVD Scrutiny Listed

954F2998A Moscow IZVESTIYA in Russian 2 Aug 95 p 11

[Unattributed report: "Financial Companies Watched by the Ministry of Internal Affairs"]

[FBIS Translated Text] We continue publication of the materials made available to us by the Main Administration for Combating Economic Crime of the Ministry of Internal Affairs of the Russian Federation.

Criminal proceedings have been initiated against the following financial companies, banks, and firms (in parentheses are the names of the investigative organs in charge of the case).

27. AOOT [publicly held joint-stock society] Gurman (Investigative department of the Second RUVD [rayon department of internal affairs] of the city of Moscow's Central Administrative District).

28. TOO [limited liability partnership] Hydrotech (Investigative department of the city of Moscow's Eastern Administrative District).

29. AOZT [closely held joint-stock society] Dav-Company (Investigative department of the city of Moscow's Southern Administrative District).

30. AOZT G&B (Investigative department of the Second RUVD of the city of Moscow's Central Administrative District).

31. TOO Dan (Investigative department of the First RUVD of the city of Moscow's Central Administrative District).

32. AOZT Dionis (Investigative department of the city of Moscow's Northern Administrative District).

33. AO [joint-stock society] Diamantstroyinvest (Investigative department of the Third RUVD of the city of Moscow's Central Administrative District).

34. AOZT G&V trust company (Investigative department of the Fifth RUVD of the city of Moscow's Central Administrative District; dismissed on 9 November 1994 under point 2, Article 5 of the RSFSR Criminal Process Code).

35. Eurobank company (Moscow GUVD [city administration of internal affairs] investigative department).

36. United Financial Company (Investigative department of the city of Moscow's Southwestern Administrative District).

37. AOZT Golden Standard (Investigative department of the city of Moscow's Northwestern Administrative District).

38. AOOT European Insurance Company (Investigative department of the city of Moscow's Northern Administrative District).

39. AOZT Impulse-Invest (Investigative department of the First RUVD of the city of Moscow's Central Administrative District).

40. IChP [investment and voucher enterprise] Intrust (Investigative department of the city of Moscow's Southwestern Administrative District).

41. The Calvet Group offshore company (Investigative department of the Third RUVD of the city of Moscow's Central Administrative District).

42. TOO Committee (Investigative department of the city of Moscow's Eastern Administrative District—Second MMOEP [expansion unidentified]).

43. AOZT Converse-Invest (Investigative department of the Third RUVD of the city of Moscow's Central Administrative District).

44. AOZT Quartet C (Investigative department of the Third RUVD of the city of Moscow's Central Administrative District).

45. AOZT Courtage (Investigative department of the city of Moscow's Southern Administrative District).

46. AOZT Quart-Auto (Investigative department of the city of Moscow's Southern Administrative District).

47. AOZT Capital (Investigative department of the Sixth RUVD of the city of Moscow's Central Administrative District).

Materials on the following companies are at the stage of checking out.

1. August (Central AD [Administrative District]).

2. TOO Agropromservis (First RUVD).

3. Alpha-Capital (Third RUVD).

4. Autoimpex (OEP [department for combating economic crime] VVTs [expansion unidentified])

5. Icy-Trade (Seventh RUVD).

6. AOZT ARC (Sixth RUVD).

7. AS (Southwestern AD).

8. AOZT Avinco: 46 Butyrskaya Street (Northeastern AD).

9. AO Anna von Zaringk: 5-a Novodmitrovskaya Street (Northeastern AD).

10. Binitech (Second RUVD).

11. Bashkirian Gasoline (Second RUVD).

12. Vagao (Southwestern AD).

13. Russia's Century financial company (First RUVD).

14. Veresk insurance company: 4 Kosygin Street, Bldg. 7, Tel. 137-16-66; 15 Marx-Engels Street, Entrance 1, 2nd Floor, Apt. 3, Tel. 202-54-52, 203-79-90; license No. 1418, 24 January 1994, registration No. 1228, issued by Rosstrakhnadzor; legal address: 7 Lenin Avenue, Moscow (Second RUVD).

15. Vicom: 3 Raspletin Street (Northwestern AD).

16. AO Vityaz-Invest: 18 Dushinskaya Street; attracted monetary funds for deliveries of cars at discount prices;

refer complaints to OEP of the Lefortovo Municipal District, 11 Malysheva Street (Southern AD).

17. All-Russia "Housing" Lottery (Sixth RUVD).

18. Gefest (Second RUVD).

19. Germes concern: 2 Kalanchevskaya Street (Seventh RUVD).

20. Germes-Soyuz (Sixth RUVD).

21. Geroz (Seventh RUVD).

22. Gurman (Second RUVD).

23. AOZT Germes-Finance: 15 Lenin Avenue (Southern AD), 1 Zolotorozhskaya Embankment (Southeastern AD), 40-14 Bolshaya Kommunisticheskaya Street (Fifth RUVD), 3 Malyy Kakovinskiy Lane (Second RUVD); 20 Sadovaya-Karetnaya Street (Third RUVD).

24. GMM-Trust (Second RUVD).

25. AO Edge [Gran]: 95 Mir Avenue (Southeastern AD).

26. Digest publishing house (Southern AD).

27. Devis (Southeastern AD).

28. Dialog-Plus (Northeastern AD).

29. Digo (Southwestern AD).

30. Dilsey (Southern AD).

31. Diona S (Southwestern AD).

32. AOZT Dolis: 1/11 Orlikov Lane (Seventh RUVD).

33. AOZT Dostoyaniye: 2 Tretyakovskiy Passage (Third RUVD).

34. Euroinvest (Seventh RUVD).

Shokhin on Crime, Tax Reform, Mafia

954F3079A Moscow MOSKOVSKIY KOMSOMOLETS in Russian 19 Jul 95 pp 1, 4

[Interview with Aleksandr Shokhin, former deputy prime minister of Russia, by MOSKOVSKIY KOMSOMOLETS correspondent Vladimir Chuprin; place and date not given: "'In Two Years, It Will Be Too Late To Combat the Mafia'"]

[FBIS Translated Text] Many statesmen do not resign without a fight. Disclosures and scandals lead them directly into the opposition camp. And from there they wage a mortal battle.

As it turned out, for Aleksandr Shokhin, former minister of economics and deputy prime minister of the Government of Russia, life is not limited to government jobs, high as they have been. State Duma member Shokhin works quietly and peacefully as president of the Higher School of Economics and today answers MOSKOVSKIY KOMSOMOLETS questions.

[Chuprin] Aleksandr Nikolayevich, many of your colleagues in the Cabinet of Ministers went into business upon resigning. Why did you choose such an ungrateful, by current standards, calling as education? Could you not find a cushier job?

[Shokhin] Well, when it comes to tempting offers for a former deputy prime minister and minister—rest assured, there were more than enough of those. I had a list of solid banks that wanted me and where, for an impressive salary, I would be required to strut around the corridors of power, lobbying for lucrative projects and contracts.

Instead, I did an unexpected thing—became president of the Higher School of Economics [VShE]. Why? Probably because I do not feel like a white crow in higher education. I completed my doctorate and was made a professor before I even went into the government.

By the way, my current work brings me a visible practical return. It pleases me, because in the government you do not get this effect very often.

[Chuprin] Well, what about "sowing the wise, the good, and the eternal"? Do you fail students often?

[Shokhin] I do not yet teach any courses in school; all my energy is being spent strutting around the corridors of power— looking for sponsors for my educational institution. In short, I am doing the same thing I refused to do for commercial banks, except that here I do it as a volunteer, without being paid for it.

Entrepreneurs persistently query me about the value for them in giving money to the school: Shokhin's name or education. So you can see how much people expect of the VShE.

I do plan to start my "personal" chair of international economics in this coming academic year, keeping in mind my extraordinary successes in establishing relations with the IMF and other Western financial organizations. In the final analysis, a State Duma deputy is not prohibited from creative work and professional teaching.

[Chuprin] By the way, the Higher School of Economics—what kind of a place is it: private or state, for-fee or free, new or old, good or...?

[Shokhin] Let us start from the beginning. This is the third year that we are accepting students into bachelor's and master's programs in the Higher School of

Economics—a state school founded in 1992 by the Russian Federation Government for the purpose of training cadres of new economists possessing a Western standard of economic knowledge and able to apply it to specific conditions of the domestic transition economy. The project for such an educational institution won a tender of the European Union Commission in the economic education department and was supported by the Government of France, which made it possible to implement it very quickly. Today this project is considered by Michael Emerson, the European Union Commission's ambassador in Russia, as the most effective of all the grants issued to Russia.

The VShE can now be proud of the fact that most of its master's program graduates found jobs while there were still VShE students. There is a great demand for them on the part of commercial banks and various state structures. Suffice it to say that VShE graduates have been invited and successfully work in high-level management positions in commercial banks and ministries (for instance, one is a department chief in the Menatep bank, and another holds an equivalent position in the Ministry of Economics).

Also, in addition to the Russian diploma, master's program graduates have the opportunity to take exams with Dutch professors teaching their classes and receive an equivalent diploma of the Erasmus University in Rotterdam.

We have created the biggest master's program in economics in the country. In 1995 the State Committee on Higher Education expanded the enrollment in the master's program to 200, which constitutes official recognition of the success of this program.

We have built a unique faculty. Among the school's professors is Minister of Economics Ye. Yasin (he is also the school's science head), and members of the Russian Academy of Sciences R. Entov and A. Granberg; representatives of different schools of economic thought—the "liberal" Yegor Gaydar and the "conservative" L. Abalkin—take an active part in the school's work. Some courses are taught by professors from the Sorbonne, Erasmus, and other Western universities in English and French; students are sent as interns to France and the Netherlands.

Of course, we are not trying to automatically transplant Western teaching models into Russian conditions. Our task is to adapt them to the current transition period. So that the students, literally without leaving the classroom, can understand what is happening in the Russian economy.

[Chuprin] This is all great, of course. But what do you personally think about the modern Russian economy? Where are we going, or sliding?

[Shokhin] It is impossible to give a simple answer to these questions. Just as one cannot deny that over the past few months we have been witnessing a stabilization of the economy. The gross domestic product even rose over the past two months compared to the same period of last year. Of course, so far these are just modest hopes.

The rather strict financial policy conducted by the government for the first time is not being accompanied by a production decline, as in preceding years. Remember the end of 1993, when the authorities "put a tight lid" on the budget? The decline lasted about six or eight months.

I would like to believe that what we are witnessing now is what specialists call the economy's adaptation to changed conditions. A year ago many were waiting for handouts from the budget, subsidies, and preferential credits. Unfortunately, all this still continues today. But on a much smaller scale. Enterprises are now counting on their own resources.

Still, in order for the stabilization process, as they say, to gain momentum, a strict financial policy alone is not enough. Right now we need to create instruments that meet the requirements of the period of economic growth.

The main task is to redistribute the effort between the fiscal and investment functions of economic policy. Take privatization. A state-owned block of stock is sold. Where should the money go? To the budget—to finance current expenses, or into investment and production recovery?

The former will let us patch up some holes. The latter will create difficulties with the budget, but later we will notice that these funds are already bringing a return and contributing to the aforementioned budget base.

[Chuprin] You said that economists that belong on the opposite ends of the spectrum—liberals and conservatives—teach in your school. In which category do you count yourself?

[Shokhin] I have never been a pure liberal. If for no other reason than because in the government my responsibility was the social sphere and I had to "fight" with supporters of the monetarist idea.

There simply cannot be an absolutely liberal approach to the economy. Life is much more complex and diverse. Functional transformations associated with the creation of a normal market infrastructure demand a strong state.

Take for example the stock market. Had the state implemented its standards, many tasks could be dealt with more effectively. The state must play the role of arbiter and see that participants in the market observe the rules of the game, which it (the state) imposes. Thus, the current stage of economic policy cannot be a liberal-monetaristic one.

We may have to reject some liberal notions for now. For instance, it was long believed that the creation of financial-industrial groups violates antitrust legislation and undermines the budget. But it is better to let such groups operate without interference than issue hopeless credits and budget subsidies.

One of the key tasks now is to mobilize internal savings. How do we go about this? There is such a device as convertible bonds. That is, large enterprises can issue bonds, which after a certain period of time are converted into stock.

This device is widely used all over the world. Leaf through THE FINANCIAL TIMES—in each issue there are reports of major companies floating a bond issue, issuing debt instruments in order to mobilize money from the market.

These instruments are more effective than credit.

We are only now beginning to get into this. But in this matter the state should "nudge" enterprises and AO's [joint-stock company], and prompt them into such steps.

For instance, Mr. Vyakhirev needs $12 billion to build a pipeline from Yamal to Germany. Should he borrow from the Germans or the Arabs? But there is $25 billion in our country that is losing its value! What is needed is for Gazprom to issue bonds which will be converted into stock of this gas transportation enterprise. This is an effective financial instrument.

Enterprises may not arrive at this idea on their own—this scheme literally needs to be imposed.

[Chuprin] You said that the dollar is losing value. Is this a joke or hyperbole?

[Shokhin] Not at all. Over the current year the dollar lost 25 percent of its value. Usually, the ruble's foreign exchange rate is more a foreign trade instrument. When the dollar falls, it hurts exporters, and when the ruble falls, it hurts importers. The specificity of the current situation is that the "greenback" is considered almost a national currency. It serves the economic turnover; people invest their savings in it, and therefore everybody watches its exchange rate.

Strictly speaking, we should set ourselves the task of displacing the dollar. But this should not be done by means of across-the-board loss of value, because then we will have a repeat of the situation of the beginning of 1992, when savings lost their value. Therefore, first we need to introduce more attractive instruments, to make people realize that it is no longer profitable to keep their savings in American currency. And vice versa, it is profitable to keep them in convertible bonds, state securities, and enterprise stocks.

The state must make such a replacement available to society.

[Chuprin] If I read you correctly, reform in the country is proceeding very successfully?

[Shokhin] I do not share such optimism. What worries me most is the economy's slide into the shadow sector. About 10 years ago I wrote a brochure on the topic "Combating the Shadow Economy Is a Task for Everyone." At the time we were combating unearned income and proclaimed the motto "Wages must be earned."

Now the problem is much bigger: Part of the economy is evading taxation. According to official data, this comprises 40 percent of the population's income. This applies to about the same extent to entrepreneurial structures and the gross domestic product.

I do not at all advocate combating these phenomena by punitive measures. We need to look at the root. And essentially, we do not have to look far—the cause is the heavy tax burden. We have to find an optimum level where it becomes more profitable to pay taxes than evade them.

What is needed for this? Moderate taxes and tough sanctions. What we have is precisely the reverse. As a result, we ourselves are breeding a kind of economic manager who believes that cheating is a normal way of life.

This is very dangerous: wittingly or unwittingly, not the best moral fiber is being implanted in the public conscience.

Which means that the task that needs to be dealt with fast is tax reform, reducing tax rates and simplifying taxes.

This is a painstaking procedure. But it will permit us to turn Russians into law-abiding citizens. And the state—to strengthen its role in regulating market relations.

For the past three to four years the prevailing opinion has been that since the economy is now a liberal one, the state should step out of it. However, the lessons of our reforms show that the state has a duty to actively influence reforms. Otherwise they will slide into the shadow sector. The authorities should return to the economy, but with the task of enforcing the rules of the game which we have established through our legislators.

For this, we need an effective judiciary system and procuracy, and unconditional compliance with the law. Until we create this base, questions of nonpayments and other economic conflicts will continue to be resolved with the help of machine guns.

This is an area where we have seriously fallen behind—building a strong state based on legitimate structures of authority.

[Chuprin] This is all true. But building a legal base also will take years. Do we have the time?

[Shokhin] I agree, the government does not have any time to waste. Another two to three years, or even less, and we may slide into a phase from which we will not be able to climb. We have to hurry. If not the state, it will be mafiosi structures. There is no other alternative.

[Chuprin] Not the best prospects, needless to say. But who has the resources to tackle this task? The current government, or a new team of reformers?

[Shokhin] Churchill once said that democracy has a lot of negative points. But everything else is even worse. To paraphrase him, I can say: Yes, the current government has made many mistakes, but where is the guarantee that better professionals will come into it after the elections?

You would agree that a known person is better than an unknown one. Promises to dramatically improve the life of the voter frequently result in catastrophe. What is hard to deny Chernomyrdin is credit for the relatively stable situation in the economy.

Of course, the current easing of inflation is minute; not every taxpayer has yet noticed it. However, if Chernomyrdin manages to place the emphasis in the right places, direct the people toward a new economic phase, and correct the course in some respects, Russians will give him a credit of confidence.

In addition to all my jobs, I have one more—head of the program commission of the Our Home Is Russia bloc. I would not have undertaken this task if I believed that the bloc's main task is to stay the old course. There is hope that I will be able to influence the way priorities in reforms are defined. And not only economic, but political ones as well.

Isotope Production, Smuggling Described

954F3027A Moscow DELOVOY MIR in Russian 24-30 Jul 95 No 28, p 31

[Article by DELOVOY MIR correspondent Marina Garyayeva: "How Isotopes 'Float Away'"]

[FBIS Translated Text] The criminal incident described below is something extraordinary not only in scale but also in terms of the originality of the creative approach developed by the scientists. In the RF [Russian Federation] General Procuracy the case is considered among the biggest of the past year. On the other hand it is, alas, typical of our chaotic times, when law-abiding citizens, confused in the face of an unpredictable future and the difficult present, are getting into questionable or even criminal business. If we are to be pushed into the market, so be it; if the government does not want to pay for our work, we will earn it on the side. And the more talented and smart they are, the more they earn.

Private Interest in Particles

When it is said that people die for the wicked metal, the metal meant is usually gold. But gold is simply dust compared to the metal isotopes produced in a ubiquitous Urals town that is not even on the map. Neither can we at this point mention its name, or the names of the actors—in the interests of the investigation recently completed by the general procuracy.

Anyway, judge for yourself: 1 mg of ytterbium costs $6,190 on foreign markets! There is a tremendous demand for stable isotopes in modern science, nuclear power generation, industry, and medicine, where they are used in radiodiagnostics and radiopharmacology. But they are produced on the industrial scale in only three places in the world—in addition to the aforementioned little town, also in Siberia and in the Oak Ridge Laboratory in the United States. Medieval alchemists would go crazy with envy if they knew what "ordinary Soviet people" have learned to make! The magicians, however, lived in conditions hardly resembling a paradise, since they had nothing to do with selling the isotopes. Monopoly rights to it belonged to Tekhsnabeksport. After a 1988 decree which abolished the monopoly and gave joint ventures [SP's] the right to sell their own products, isotope producers also wanted to do their own distribution, but did not get permission from higher up. They could not set up a joint venture because the plant was a high-security installation. Neither is it eligible for privatization—output for state needs is manufactured on expensive state-owned equipment here, and nobody would let it be used in private business.

The bright minds of the Urals craftsmen, however, began to work in a direction previously untypical for them: Some production managers became enamored of the idea of selling some isotope output "on the side," and using the money cleared from this to supplement the meager government pay—not for everyone, of course, only a small circle of the initiated. But how to implement the idea? You cannot put finished isotopes in your pocket—each atom is accounted for. Neither can you steal the raw material and produce the final product at home: You cannot install high-technology equipment in your kitchen or hide an electromagnet the size of a three-story building in the basement. Which means they had to find a way to divert a trickle from the main technological stream.

To get an idea of at what stage the desired opportunity could open up, I will have to describe the production process. First the raw material containing isotopes is loaded into a vaporizer of a vacuum ion source, where a high-voltage arc discharge is then generated, and from its plasma a beam of ions is extracted by a strong electrical field. It is transferred into a vacuum distribution chamber, which is located between the strips of a powerful magnet, and the magnetic field forces the ions to move along the arc of a certain radius, as a result of which they end up in the proper receiving pockets. From there, they are extracted by mechanical means: scraped off, then rubbed off by gauze tampons, and the residue is laboriously removed by chemical means.

One can estimate rather precisely the expected quantity of isotopes produced if one knows their quantity in the raw material, the timing of the beam separation, the percentage of ions getting into the pockets, and finally, the percentage lost during the complicated final chemical processing.

When is the best time to divert isotopes? Naturally, one cannot scoop them out of the vacuum vaporizer by hand. What about the receiving chamber pockets? But their contents still need considerable purification. What remains is the possibility of "fiddling" at the chemical processing stage. Solutions containing isotopes are poured into 20-liter glass jars. When equipment operators pour the solution into the jar, they make an entry in a register. When the jar is full, it is handed over to the shop foreman. It is at this stage that one could rather easily insert an unplanned operation. And the solution proved very simple, as any work of genius usually is. Since the fall of 1990, in the mornings when the shop was still empty, one hour before the shift started the same person began to show up in the shop and poured a liter or two out of full jars and replaced the missing quantity with distilled water. Why so little? Because in doing it this way, the semi- finished product remaining in the jar still had a concentration within allowable technical parameters. Our scientists for sure are a brainy lot! Within two weeks the siphoned-off quantities filled a new jar, which could then be processed in the fortuitously available shop where production had been halted a long time ago.

The More, the Cheaper

As frequently happens in life, different circumstances, developing separately, at some point meet, producing a new undertaking—and not always to a good end. When the "side" technology got worked out, it also boosted demand for "on the side" isotopes. One of the former staff members of the leading research institute, having become commercial director of a certain SP, learned that the British would not mind buying isotopes more cheaply and are not nosy about the source—as long as there was a proper certificate and guaranteed quality. They became buyers of the unplanned output. The entry of cheap isotopes onto the world market caused prices to drop. Foreign companies blamed Tekhsnabeksport, which had nothing to do with it. This is how the first food for thought came to the attention of official circles: Where were the unaccounted-for isotopes with standard certificates coming from? A formal check was conducted but produced no results. Had the Urals craftsmen stopped at that point, the whole thing could have been eventually forgotten. But success inspired them to continue the venture. The only drawback was the unfairness on the part of the partners: Half of the money—240,000 rubles [R]—went to the proxy company, the aforementioned SP; the middlemen kept for themselves a lion's share of the other half; the producers were left with a pittance: little more than R10,000 per person plus some video equipment. And so they decided to look for another distribution channel.

One may say that this was the point at which the experimental stage ended and the real work began. Until now they had managed with four people; now, in order to expand business, they needed to bring the management in. The group increased to seven. Each had a specific area of responsibility. In the opinion of specialists who conducted the evaluation, at least six persons were needed for the process of retrieval, which is very complex. Thus the group has the minimum number of managers and the minimum number of production specialists. Neither group could do without the other: Certain people were needed to carry out strictly production tasks, and certain people were needed to cover up for shortages, gross violations of record-keeping rules, movement from one shop to another at a high-security enterprise, and finally, retrieval of the isotopes.

It was at this time that one of the high-ranking colleagues in Moscow learned that a certain foreign company would like to purchase cheap isotopes, and cautiously suggested "collaboration" with the Urals plant. His offer fell on a fertile soil. The new business alliance was more lasting; the stolen isotopes were sold only illegally, for cash, unlike in the case with the first distributor, where the SP acted as an official seller. Isotopes were brought straight to the new companion's home in Moscow. During perestroyka times, residents of closed cities acquired previously unattainable freedom of movement, and besides, the plant management did not have any problems going on business trips to, for instance, their own ministry. The Urals "business" got stabilized, while foreign market went into spasms. Prices collapsed to such an extent that the Oak Ridge Laboratory temporarily stopped selling its isotopes altogether, allegedly halting production for preventive maintenance.

You Can Only Spin Out a Tale for So Long....

Naturally, Tekhsnabeksport sounded the alarm and brought the police into the matter. It did not take long to establish where the cheap isotopes were coming from, since any quantity of them is accompanied by a certificate with the plant's insignia. In the town itself, on the other hand, where everybody knows everybody, people began to notice that some had begun to spend money more freely, change sheepskin coats, buy cars and garages, build dachas, despite having the same modest salaries as the others. Time went by, however, and the police just could not catch anyone redhanded. Because of the serious nature of the matter, the RF Ministry of Security was brought in. And finally—we quote the prosecution statement: "In the process of investigation, on 18 April 1993 an employee of Combine N. was detained on the Serov-Moscow train; during the search, two metal containers with stolen stable isotopes of thallium-203 and zinc-68 were discovered, which served as grounds for initiating criminal proceedings, which on the same day were combined with the criminal case (initiated on 16 November 1992) on embezzlement of state funds on an especially large scale in the city of M.

The suspect did not hold out for long, reasoning that since they worked and earned money collectively, it did not made sense to take all the blame alone. He named the persons who gave him the isotopes. Because of the importance and complexity of the case, at the instruction of Russia's procurator general in June 1993 it was transferred to the investigative department of the RF General Procuracy.

It is hard to tell how long the "isotope leak" would have continued had the "creative union" remained unchanged. But the producers decided that the second distribution channel also was not effective enough. They began to look for a third channel—and walked into the security organs' trap. They slipped up on their own greed. And now the thread was being unwound in the reverse direction—from the end to the beginning. During the first rush days, with searches, confiscations, interrogations, identifications, about 30 persons worked on the investigation; by the spring of this year, eight remained. The criminal case handed over to the court comprises 59 thick volumes. The investigative experiment alone lasted two months. Those criminal group members who repented, helped to stage it. Actually, even during the time of isotope theft some had to periodically wrestle with their conscience. For instance, disagreements arose in June 1992, when it took several days to process the solution to extract the unaccounted-for ytterbium-168. In anticipation of complications, two "outside" equipment operators were sent to work in a different shop, and another female operator was sent on unpaid administrative leave—that is, the main production was halted for a while. Under the pretext of replacing the piping, latches were installed in the shop so that an uninitiated person could not walk in unexpectedly. One of the accused, who was in charge on monitoring the process, proposed to use some of the ytterbium produced to replace previously stolen quantities, but her superior said: "Nothing to it; we will say that we used it all up for analysis." When it was pointed out to him that the quantity of the isotope was registered in journals, he proposed to destroy the compromising journals. The subordinates at their own risk replaced the isotopes, thus causing the boss' wrath.

Despite some friction, however, none seriously intended to give up the extra income. Judging by control technological runs conducted during the investigation, as well as the documentation, the missing quantity of the aforementioned ytterbium amounted to 3.359 grams (the entire annual plan for the enterprise being 6 grams!), and of thallium—1,020 grams. A work of genius! They fulfilled the plan, and managed to pocket more than half—from the same planned input material. For the state, losses amounted to $23 million—this is the amount named in the prosecution's claim. Compared to the amount in the claim, the "inventors" earned a mere pittance—sometimes they were not paid at all, and sometimes they were paid less than the real value of the isotopes by several orders of magnitude.

What did one of the production group leaders get in the end? He swapped his apartment for a larger one, having paid the previous owner an extra $400; he paid $300 for a sheepskin coat for his wife; and he made large deposits, incommensurate with his real salary, in the Savings Bank. But still, the booty turned out much less than the earnings of one of the middlemen. The latter "earned" several thousand dollars, bought two Volga 2109's and an apartment, and had money on deposit in rubles and foreign currency.

It Was All Bound To Happen

The question that comes to mind is: Would it not be better for the state to pay well for real work, so that honest workers would not be tempted? Apparently this will remain a rhetorical question. Boris Pogorelov, senior special investigator of the RF General Procuracy who headed the investigation, says: "As we began to untangle this case, each participant was merely a member of a criminal group to us; but after we had worked with these people for several months, we began to a large extent to understand their motives. Nobody is trying to justify them—theft is theft. But after all, one of the causes that prompted them into crime was the sharp decline in the standard of living. Each also had his own reasons: One had to support two families; another had a drinking problem. Some simply wanted to have a taste of the tempting goodies so many others have access to these days.... One of the accused kept silent for a long time during the first interrogation, and then said: "I am so glad it is all over." That is, being outside the law was burdensome for some.

Can such a criminal situation be prevented? In B. Pogorelov's opinion, the state monopoly on sales of products such as isotopes on the foreign market should be retained—by the way, it also exists in the United States. It is necessary to impose strict security on such enterprises. Right now one cannot even compare the security at a jewelry plant with that with isotope production. It does not even have an ordinary electromagnetic "horseshoe" installed—of the kind used in airports to check passengers. It is a strange situation. The state barely makes ends meet, but does nothing to avert possible losses. Questionable penny-wise savings today turn into lost billions tomorrow.

Economic Issues

*Commentaries on Recent Presidential Edict on Taxes

954E1253A Moscow KOMMERSANT-DAILY in Russian 28 Jul 95 p 8

[Unattributed report and commentaries on the new tax regulation: "Of All the Laws, the Most Important for Us Is the Edict"]

[FBIS Translated Text] Tax legislation must be regulated by special laws. In Russian practice, however, the president quite frequently interferes in its formation, introducing sometimes good and sometimes not so good proposals, or sometimes simply repealing tax norms. KOMMERSANT has already commented more than once on the legitimacy of such actions. The edict that was issued this week makes a pleasant exception to the rule. It is not only legitimate for the most part, but it also contains good proposals.

The VAT

The most pleasant surprise for the taxpayers probably will be two provisions of the edict: a repeal of the edict on tax amnesty (no more triple fines) and an introduction, effective 1 January 1996, of a new procedure for the VAT refund. Now the tax paid during the purchase of capital assets and intangible assets will be refunded immediately after entering capital assets and intangible assets in the books, that is, almost immediately. As it stands now, the tax paid during the purchase of such assets is refunded in equal shares over the period of a half-year. For all intents and purposes, taxpayers loan money to the budget.

Another innovation that is envisaged in the edict of the VAT is the new procedure for determining the sales subject to the VAT—on the basis of invoices. This new method, as noted in the conversation between KOMMERSANT correspondent and Deputy Minister of Finance Sergey Shatalov, is not a complete analogy of the "ship date" method—this is a special method for determining the sales for VAT purposes.

The document also proposes to set concrete penalties for Russian organizations for not withholding taxes from payments to foreign legal entities and physical persons not registered with the Russian tax authorities. Including profit tax and the VAT. At the same time, the president prescribed a reduction in the number of tax deductions, as well as cutting the number of taxes, including by means of combining taxes that have a common taxable base.

The government is obliged to complete work on all these innovations within three months—by the end of October.

Crime and Punishment

The edict contains a special part dealing with increasing the culpability of taxpayers and employees of tax and customs organs.

The president proposed to add to the draft of the Criminal Code special articles that envisage penalties for employees of tax and customs services for revealing information about taxpayers, and in turn, of taxpayers for resisting, or not complying with, the demands (not all of course—only legitimate ones) of employees of federal tax organs of executive authority.

By the way, the president prescribed giving the Tax Police Department the right to conduct preliminary investigation on tax crimes.

For the first time, it is proposed to introduce the liability of auditors and auditor companies officials for falsifying audit reports. At the same time, it is planned to repeal the mandatory periodic audits (which the current legislation requires be conducted once every two years), and leave the right to conduct selective audits to tax organs. Which is generally the way it is done in most economically developed countries of the world.

Another long overdue decision: The president directly spelled out the need to create special tax boards in arbitration courts.

Foreign Economic Relations

Within two months, the government is to draft new procedures for "fulfilling tax obligations" in carrying out foreign trade deals. In keeping with the edict, determination of the proceeds from the sale of exported products and barter deals should be done, as a rule, no later than 90 days after the goods are delivered (currently for all practical purposes the period is twice as long). For situations where contract prices of the goods differs considerably from the world price, a valuation method will be established (for taxation purposes) for all goods being moved across the border—not just bartered goods.

At the same time, in order to avoid tax abuses, the GTK [State Customs Committee] and the GNS [State Tax Service] are directed to exchange information of participants in foreign economic deals.

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Commentary on the edict by Mikhail Motorin, chief of the tax and customs legislation sector of the State Duma staff

A complete refund of the VAT at the time of entering capital assets in the books is undoubtedly a substantial tax deduction. In practical terms it means reducing the cost of capital assets by 20 percent: Currently this amount is to be refunded in installments over the period of six months after putting assets into exploitation, and considerable time can elapse between entering the asset in the books and putting it into exploitation.

We proposed to introduce this deduction as early as a year ago, but the Ministry of Finance believed that it would considerably reduce tax revenue. This is true, but this procedure for refunding the VAT stimulates investment activities, which is what we currently need most. Therefore, the committee supports this proposal by the president.

The committee has the draft laws, prepared by the government, which envisage raising the VAT rate by 1 percent in 1996. I believe that this proposal will not pass in the State Duma. It may pass, however, if it is attached to the budget (as happened last year with the special tax).

Regarding invoices. What it boils down to is the compulsory application of the "ship date" method. Right now, the taxpayer can choose when to pay this tax—after the ship date or after the payment date. The edict envisages that the VAT must be paid immediately after the product has been shipped. This undoubtedly will worsen the taxpayers' situation. Especially considering mutual nonpayments. The enterprise will have to find additional funds to pay the VAT for the product not yet paid for. I doubt that the Duma will support this proposal.

Deductions need to be reduced; the committee fully supports this well-intended idea, but in practice it will be very difficult to implement—each deduction has its supporters. The government proposes to introduce a tax on interest on deposits, on military servicemen and persons equated to them in status, cut the deductions for housing construction, and the deduction for sale of property personally owned by individuals. At the same time, many deductions are "unworkable;" it is also necessary to liquidate illegal deductions.

As to combining taxes, we have already built these provisions in the new wording of the law "On the Foundations of the Tax System in the Russian Federation"—for instance, combined the transportation tax and the levy for educational institutions financing (1 percent of the payroll fund for each). We also propose to liquidate the tax on sales of fuels and lubricants and compensate for it by an excise tax.

The tax organs currently have a lot of rights and powers; I fully support the repeal of mandatory audits, especially considering that the tax organs cannot handle the volume.

There is no way to push any further taxpayers' liability for violations in paying the taxes—the measures currently in effect already are draconian. The provision on creating tax boards in arbitration courts is very important. The committee is against giving tax organs investigative powers. This will give them unlimited capabilities.

The presidential decision to repeal the law on amnesty is extremely welcome, because it repeals triple fines, which continued to be applied even after 1993.

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Commentary by Mikhail Zadornov, chairman of the State Duma's budget and finance committee

Obviously, economic legislation must be regulated by laws—not presidential edicts. Edicts frequently are prepared in a haste, coordinated with who knows who, and as a result later have to be repealed.

As to this specific edict, it leaves a strange, chaotic impression and contains absolutely incompatible provisions: various technical measures (the repeal of the edict on amnesty, the directive on creating a task force) and right next to them concrete directives on tax matters. The edict is extremely eclectic, and one gets the impression that the president and the government decided to put into one document everything they currently think on tax issues.

I would rather reserve concrete comments on presidential proposals until after their comprehensive evaluation—such as what the cost of their implementation will be. I believe that the authors looked at this measure only from the standpoint of stimulating investment.

In the draft budget, the government envisages increasing the VAT rate from 20 to 21 percent (while repealing the special tax). But it is unlikely to pass in the parliament.

The use of invoices, as proposed in the edict, was recommended by the IMF: It is believed that the fact of shipping the goods constitutes grounds for the seller to pay the VAT before the money is transferred to his operating account. This will considerably reduce enterprises' working capital. I think this proposal will not be met with understanding in the parliament.

Reducing the number of taxes is directly envisaged in the new wording of the law "On the Foundations of the Tax System." We support this proposal, as well as the idea to combine taxes, for example, going into transportation funds. It would also be good to combine local taxes calculated on the basis of the same taxable base.

Creating tax boards also is very important. We even plan to increase budget appropriations for the handling of tax matters in arbitration courts.

As to penalties for taxpayers, they already are sufficient. It is another matter that the tax organs do not agree with it. Stiffer measures are possible only with respect to gross violations—otherwise, existing penalties should be applied more extensively.

And the edict on amnesty should have been repealed a long time ago, because local organs continued to apply triple penalties up to 1995.

I do not know whether it is necessary to create some new task force—all the government's proposals can be considered during the discussion of the draft budget. No, it is too late to set up a temporary task force.

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Commentary by Sergey Shatalov, one of the presidential edict's authors, deputy minister of finance of Russia

The edict's main provisions were drafted by the Ministry of Finance; however, the provision on setting the new procedure for VAT refunds appeared in the document without its knowledge. This innovation will cost the budget at the very least 3 trillion rubles in 1996. And keep in mind that this was not taken into account in drafting the 1996 budget.

There will be no serious changes in deductions at this point: It is envisaged giving legal force to the provisions of presidential edict No. 2270 (for instance, on not applying the VAT to capital assets imported as contribution to the charter capital); repeal tax holidays for small enterprises; as well as make military servicemen's income, interest on bank deposits and "unordinary" loans and funds on accounts of individuals—for instance, interest-free loans issued by an enterprise to an employee for the term of 50 years and such (which in essence constitute individual's income)—subject to income tax; there is also a plan to reduce the investment deduction in calculating the tax on profit (deduction up to 50 percent of the tax)—the plan is to retain it only with respect to capital assets used in production.

Regarding combining taxes, it makes sense to merge, for instance, the excise tax on motor fuel and the tax on sales of fuels and lubricants; the excise tax on mineral raw materials and mineral and raw material resource base reproduction fees.

The criminal law currently already has two articles that are for all practical purposes not applied and do not work, because they do not clearly define the crime—it is unclear what constitutes tax evasion. It is necessary to add to the Criminal Code a large number of detailed articles on tax violations.

The repeal of mandatory periodic tax audits is a step toward reality. The principle "not too often and without repetition" is good when applied to audits and will reduce the number of abuses.

The provision on determining the proceeds on foreign trade operations no later than 90 days from the date the goods are shipped is intended to bring order into enterprises' tax payments—it is a de facto application of the "ship date" method. Right now the law on foreign currency regulations gives the taxpayer 180 days to determine the amount of the proceeds; many people abuse this, put the money to work abroad, which negatively affects the budget.

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*Gosstandart Chairman on Product Certification

954E1241A Moscow DELOVOY MIR in Russian 02 Aug 95 p 8

[Interview with Sergey Fedorovich Bezverkhiy, RF Gosstandart chairman, conducted by DELOVOY MIR commentator Raisa Firstova: "Certification: The Only Way Never To Make Mistakes Is Never To Try"]

[FBIS Translated Text] *International congresses on the latest issues in Russia's emerging market economy have become a tradition. Since February 1993 Gosstandart [the RF Committee on Standardization, Metrology and Certification] has been taking part in these, and has itself sponsored conferences on our country's development and application of market-based mechanisms for ensuring the competitive quality and safety of products and services. The most important of these mechanisms is certification. This issue was the focus of one of five conferences recently held in Moscow within the framework of an international congress titled "Russia's Economy: Reality and Outlook." This was the subject of an interview with Gosstandart chairman Sergey Bezverkhiy conducted by DELOVOY MIR commentator Raisa Firstova.*

[Firstova] Sergey Fedorovich, the practice of certification, commonplace in the developed countries, was only introduced in Russia a little over two years ago. This innovation was not to everyone's liking and is therefore having a difficult time gaining acceptance. The debate continues to rage. Opponents regard certification as unnecessary and have accused its "parent" — Gosstandart — of every sin imaginable.

[Bezverkhiy] I think that today, with a market economy in Russia, certification of products and services is the number one procedure for verifying quality. It has become an inseparable part of every effectively operating market economy. Certification work in Russia is being organized in a legislatively regulated environment and is designed to provide government protection for people and the environment.

[Firstova] Does your agency operate independently?

[Bezverkhiy] No. In its certification work Russian Gosstandart interacts with virtually every ministry and agency in the Russian Federation, and also with the new economic structures (corporations, concerns, associations, exchanges, banks, etc.), as well as with public organizations of a scientific-technical and social orientation.

[Firstova] How many certificates have been issued?

[Bezverkhiy] More than 700,000. And over half of those were for food products. The problem is that Russia has been inundated with all kinds of food products. Those products are in some demand, but they do not always meet necessary quality and safety standards. This forces us to devote particular attention to certification of food products, wines and liquors, etc. I could cite specific examples of the role certification testing has played in keeping poor-quality products out of Russia. In one case we barred more than 70 metric tons of low-quality baby food. More than 140 million standard cans of fruits, berries and vegetables have been kept out of the country due to their failure to meet requirements for organoleptic indices, excessive nitrate levels (by factors of three to five), failure to indicate a production date, and the presence of mineral contaminants. In all, over 40,000 applicants have failed to receive certification and therefore have been denied the right to sell products which are hazardous to human beings or the environment.

[Firstova] Nevertheless, you are often taken to task for mistakes and oversights that you have made. Are there any grounds for that criticism?

[Bezverkhiy] Of course there are, unfortunately. That would be hard to avoid, particularly since these efforts are new to us and extremely complex. Certification is a mechanism that has emerged as a result of lengthy evolutionary processes that are natural in a developed market economy. Yet we have had to accelerate the pace and adapt certification to the conditions that exist in the Russian economy, which is not yet a market economy. And naturally some mistakes have been made.

One such mistake, made in the process of setting up the Russian Gosstandart Certification System, was using a number of commercial structures operated by individuals as certifying bodies and accrediting them as such. We came to see that commercialization of certification makes it impossible for its results to be objective. We then made the necessary changes in the appropriate documents in order to correct this mistake. One of the main requirements for those wishing to receive accreditation is that they conduct their certification work on a noncommercial basis.

[Firstova] What does that mean?

[Bezverkhiy] That all the profits from certification are supposed to be used only to develop testing facilities and to provide technical, expert and information-related support for certification, and for the re-registration thereof. Another misguided decision was to permit unrestricted pricing in the Russian certification services market. To correct that mistake we developed an appropriate document regulating the procedure for payments between those requesting certification and those doing the certification work.

[Firstova] Has the combination of both accreditation and certification functions in one organizational structure proved to be a good idea?

[Bezverkhiy] No. We have drawn up a document that envisions separation and a certain degree of isolation for the service that accredits certifying bodies and testing laboratories. Unfortunately, in addition to the mistakes that we can correct and are correcting, there are some other factors that continue to hamper the development of certification. The main one is the chronic lack of budget funding for the work outlined in the "Federal Innovation Program for Certification and Metrology." Gosstandart has implemented some of the most important parts of that program using off-budget allocations granted to it for its own development. But those funds are clearly insufficient either to create a modern certification testing infrastructure or to bring certification standards into line with the standards used by the world community.

[Firstova] What do you see as the solution to this situation?

[Bezverkhiy] What solution can there be, if the treasury is empty? We are taking some measures. We are trying to get funding from enterprises, associations and commercial structures that have an interest in expanding and improving the effectiveness of Russia's foreign trading activity, and thus are also interested in developing our country's certification process and having it recognized by the international community. However, we have not yet been very successful in those efforts.

[Firstova] An increasingly important aspect of Russia's integration into the world community is certification not only of safety, but also of the quality of products, work and services. What is your agency doing in that direction?

[Bezverkhiy] A new stage has just begun, and its success is primarily of interest to the so-called export-oriented enterprises and commercial structures. After mandatory certification of their products, manufacturers receive a document (a safety certificate) that can be used as their ticket to foreign markets. In order to stay in those markets they need a quality certificate. And the quality system certificate will also help improve the competitiveness of our exports by confirming that manufacturers are capable of maintaining steady production of high-quality products. It is very difficult for Russian certification organizations to win recognition of their documents abroad, where no one is familiar with them. Therefore our manufacturers are forced either to sell Russian-made products at ridiculously low prices or else to pay large amounts of money to foreign certification companies. So this problem is becoming increasingly urgent, as it affects Russia's integration in the world community.

*IL-96MF Series Profiled

954E1209A Moscow KRASNAYA ZVEZDA in Russian 28 Jul 95 p 4

[Article by Valentin Rudenko under the rubric "Arsenal": "The IL-76MF: The New 'Heart' Has Given the Plane a New Lease on Life"]

[FBIS Translated Text] When the personnel of the Ilyushin [Design Bureau] undertook in the mid-1970's to develop the first domestic design of a jet military transport plane they, perhaps, did not expect success in the development of a vehicle which would be destined, in essence, to live several lives. In each of its subsequent lives, the plane acquired quite a number of new features, in addition to its advantages such as the opportunity for multipurpose use, the ability to carry large-size cargo, self-sufficient operation, including that at unpaved airfields, and high reliability. As you must have already guessed, this is about the IL-76 military transport plane which is currently the main airlift carrier in Russia and the CIS countries.

The maiden flight of the IL-76 took place in March 1971. It has been continuously updated since; its IL-76MD and IL-76TD modifications are currently in serial production. This aircraft surpasses the initial version by factors of more than 1.5 in terms of passenger capacity, payload, and range. Quite a number of special planes have been designed around the IL- 76MD and the IL-76TD, including the IL-78 tanker, the A-50 radar early warning and control aircraft, the IL-76MDPS aviation search and rescue system, the IL-76TP firefighting plane, the Skalpel hospital plane, and the IL-76MDK cosmonaut trainer.

Nonetheless, the designers believe that the IL-76 still has a lot of updating potential. Fitting the plane with the new and promising PS-90A engines (those installed on the IL-96-300 and the TU-204 passenger liners) became yet another step in extending the life of the plane. The new aircraft was named the IL-76MF. It has already been produced through the joint efforts of the imeni S.V. Ilyushin Aviation Complex (Russia) and the Tashkent Aircraft Enterprise (Uzbekistan) and is being readied for its first liftoff.

Due to its new, more economical, and more ecologically friendly engines, the IL-76MF fully meets the norms of the International Civil Aviation Organization and other international organizations in terms of hazardous discharges and noise. This gives the IL-76MF access to virtually all airports of the world.

The designers have succeeded not just in solving the ecological and noise problems but also in improving the fuel efficiency substantially (approximately by 12-15 percent), along with other flight performance characteristics of the plane. Thus, the range of the IL-76MF with the average standard payload is 15-20 percent greater than that of its predecessor, the IL-76MD. In addition, the new aircraft has a substantially greater cargo hold (up to 400 cubic meters) due to a body which is 6.6 meters longer, a greater takeoff weight, and a higher operational effectiveness.

The serial production of the IL-76MF at the Tashkent Aviation Enterprise is being started up in parallel with the production of an experimental prototype. This means that the new aircraft may be seen very soon at the Air Force airfields, as well as in Russia's airports. The new IL plane, just as its predecessors, will fly the routes of the entire world.

Performance Characteristics of the IL-76MD and IL-76MF Planes

Characteristics	IL-76MD	IL-76MF
Engine	4 x D-30KP	4 x PS-90A — 4 x PS-90A
Takeoff thrust, metric tons	4 x 12,000	4 x 16,000 — 4 x 14,500
Size of the cargo hold, meters	3.45 x 3.4 x 24.5	3.45 x 3.4 x 31.14
Maximum load, metric tons	48	52
Range with a load of 40 metric tons, kilometers	4,700	5,800
Cruising speed, kilometers/hour	750-780	750-780
Flight altitude, meters	9,000-12,000	9,000-12,000
Length of takeoff/landing run, meters	1,700/900	1,600/1,000
Takeoff weight, metric tons	190	210
Weight of fully loaded plane, metric tons	90	101

*Federal Development Program for Chemical Industry

954F3105A Moscow SEGODNYA in Russian 10 Aug 95 p 4

[Article by Anastasiya Naryshkina: "The Chemical Industry Needs 14 Billion Dollars: The Russian Petrochemical Industry Hopes To Double the Sector's Share of Products in the GDP in Five Years"]

[FBIS Translated Text] SEGODNYA has learned that in August an Expert Council attached to the Russian government will examine the draft of the federal program for development of Russia's chemical complex up to the year 2000. Before the end of 1995, Roskhimnefteprom and the Ministry of Economics intend to begin holding competitions for the right to receive budgetary loans for development of the chemical industry. The draft worked out by the committee provides for attracting 62.2 trillion rubles [R] at this year's prices (i.e., about $14 billion), of which about $3 billion and 200 million German marks will constitute foreign investments, and about R450 billion — federal budget funds. The budgetary flow is formed from two small streams. Direct financing will provide 3-5 percent, and financing on a recoverable basis will provide the rest.

The conditions for obtaining state loans will be quite strict. Initially, the Ministry of Economics will make out a list of the most important projects which are of national economic significance and figure in target-oriented federal programs. After that, a competition will be announced for the construction or, let us say, rebuilding of the appropriate enterprises. The parameters by which the competitive proposals of the candidates will be evaluated are, above all, the recovery periods (two years), and the ecological safety and attractiveness of the project. In addition to budgetary funds, the enterprises will be able to make use of their own and attracted funds, and moreover, the latter will be obtained both from special funds of the enterprises and through the sale of their shares.

The program's developers are counting on three forms of cooperation between foreign investors and the producers: they will set up joint ventures, participate in the capital of the new enterprises as shareholders or will lend directly on a compensatory basis, with the loan paid back in the form of products. In any case, the controlling bundle of shares will remain with either the state or the Russian side. In addition, the guarantee of adherence to state interests will be the so-called "golden share," the possessor of which has the right to veto the decision of the general assembly of shareholders. In the words of a Roskhimnefteprom staff member these measures are very urgent, since some foreign firms allegedly have plans to purchase Russian enterprises and close them down in order to rid themselves of competitors.

The result of the investment measures (if, of course, the program is accepted) should be an increase in the share of chemical products in the gross national product. As a responsible staff member of the committee noted, in developed countries this share reaches 14-17 percent, but in Russia it is 6 percent. Such a low figure attests to two unfortunate circumstances: the low level of raw material processing (which results in the export of this raw material, or at best, semimanufactures, but not finished products) and the economic losses caused by using obsolete materials. For example, pipes made of plastic cost much less than metal ones, and at the same time, their operating properties are considerably higher (for example, they are not susceptible to corrosion). "We calculate that by the year 2000, the share of chemical products in the gross product will reach 9-10 percent," the committee said to a SEGODNYA correspondent.

Several priority directions have been outlined for the program. In the first place, an increase in the production of structural plastic, the share of which in the total volume of polymers produced in Russia right now does not exceed 0.5 percent. The program developers hope to raise the level to 5-8 percent. In the second place, a great deal of attention will be paid to developing the production of new types of motor vehicle tires, particularly radial tires, the relative proportion of which should reach 15 percent by the year 2000. Obviously, the developers anticipate great difficulties here, since they will literally have to start from nothing. In the third place, the output of non-ozone-destructive coolants will have to be set up. In accordance with the Montreal Convention, signed by Russia, the use of freon, which is blamed for holes in the ozone layer, should cease by 1996. So far Russian refrigerator producers have either been completely ignoring the ozone layer or have been purchasing coolants from Western suppliers. It is quite difficult for the program developers to describe their ideas in greater detail, since it is a question of 1,500 types of products (the sector produces a total of about 200,000 types of products).

*CIS Minsk Agreement—Single Ecological Space

954E1216A Moscow LESNAYA GAZETA in Russian 20 Jul 95 p 1

[Article by V. Vysotskiy under rubric "Hotline: A Unified Ecology-Information Space"]

[FBIS Translated Text] In Minsk, representatives of 10 republics of the former USSR signed an agreement on information cooperation in the field of ecology and environmental protection. The document recognizes every citizen's right to obtain objective information about the state of the ecology of the region where he lives. The agreement is especially important for inhabitants of Belarus, Ukraine, and a number of oblasts in Russia, considering the aftereffects of Chernobyl. The agreement calls for the public's ecological education to inculcate a protective and thrifty attitude toward forest and water resources. In turn, state bodies having reliable information will be able to forecast the impact of natural factors on humans' physical state and, when necessary, carry out appropriate measures.

A certain information-ecological vacuum developed after the USSR collapsed. Meanwhile, environmental problems—including forest-related problems, know no boundaries or customs. It is practically impossible to solve them without joint efforts. The above agreement is designed to be a kind of coordinator in that sphere. An inter-state ecological information agency has been set up.

*Kosarikov, Kashtanov View Environmental Degradation Factors

954E1216B Moscow LESNAYA GAZETA in Russian 18 Jul 95 pp 1-2

[Article prepared by O. Borisov: "Village—City. New Fighting About an Old Topic"]

[FBIS Translated Text] **The editors here continue a series of articles from the First All-Russian Congress on Environmental Protection, prepared by our commentator O. Borisov. Today's topic: problems of urban and rural ecology. These were discussed in Congress sections by Nizhniy-Novgorod Oblast Deputy Governor A. Kosarikov and RASNKh [unidentified] First Vice President A. Kashtanov.**

I'M SORRY I WAS BORN

Some 74 percent of Russia's population lives in big and small cities. The excessive population density and hypertrophy of industrial and warehouse zones are the biggest causes of the adverse ecological situation. Wasteful treatment of land resources is just one aspect of a much larger phenomenon—reckless treatment of nature as a whole.

Environmental pollution is a constant factor that increases the risk of genetic, teratogenic, and other pathological changes in human health. During our years of economic crisis, there have been increased dangers of hazardous situations in enterprises closing down or operating irregularly, due to equipment wearing out, violation of rules on the checking of networks, and overcrowding of warehouses with ecologically hazardous materials.

This makes it essential to draft and implement a conception of stable development of the RF's cities as a component of a Conception of Stable Development of Russia.

The basic principles are these: according of top priority to maintaining human health and the biosphere; the principle of equal rights of present and future generations to a benign environment, the use of natural resources, preservation of health and satisfaction of spiritual needs; priority to territorial over sectorial planning must confer the right of the veto to regions when designing and implementing major projects capable of harming other subjects of the RF.

The basic conditions for converting to stable development: Federal and regional laws must provide for a structure of bodies of administration and a system of taxation, payments, taxes, excises, and benefits; procedures for planning and financing environmental measures; priority financing of environmental measures at the rate of at least 3 percent of the expenditure portion of budgets on all levels; cities' master plans must be based on land classification in terms of ecological features, preservation of the natural framework of the city consisting of green plantings, bodies of water, small rivers and ravines; quality indicators of the urban environment must be based on the ideology of the Charter of Stable Development of European Cities (1994).

Cities' stable development is possible only by reducing the consumption of resources, including land resources; a city's real development starts with halting extensive expansion of its area by building up suburban land with multi-story buildings, with turning dacha development into a system of permanent settlements with the necessary infrastructure, and with curtailing the consumption of fuel and energy resources and water. Also on the agenda: reducing harmful emissions into the atmosphere from the city's fuel-energy complex, also automotive transport (optimalization of traffic flows, boosting electrical transport, converting to unleaded gasoline); creating alternative systems of heat and energy supply, ensuring effective sanitation protection for urban water systems (in particular, against chlorocarbon compounds); protecting potable water sources; monitoring, reducing, and optimalizing communal, industrial, and agricultural water use; eliminating discharges of untreated storm, industrial, and other kinds of runoff; reducing, reworking, recycling, and safely disposing of industrial and consumption wastes; rehabilitation of existing storage sites and dumps; and creating an urban infrastructure for waste collection and recycling.

Improving the quality of human life will require: implementing ecologically sound demographic policies in the city (birth rate regulation, migration, stabilization of population levels); optimalizing urban development, the structure of settlement, and deployment of productive forces; protecting mothers and children and providing children with an ecologically pure, balanced diet; reducing infectious and "social" diseases by improving sanitation and hygiene, and through prevention and treatment; shaping the public's overall ecological awareness and morality with respect to the highest value—the living world; goal-directed improvement and development of a system of regional studies and ecological education in the schools of the city and adjacent territories.

TO THE ATTENTION OF MAYORS OF VARIOUS RANKS

These tasks are to be accomplished by coordinating urban programs that are being worked out with international, interdepartmental, federal, basin, regional, and other programs. The Conception sets the goals of the transition period of the RF's development. The stages need to be tied to the socioeconomic position of the city, and its industry.

First stage. The creation of a normative-legal base of the use of natural resources in the cities, and implementation of priority measures to restore the ecology to health and undertake urgent measures to reduce environmental pollution.

Second stage. Stabilization and reduction of environmental pollution to stipulated levels.

Third stage. Radical improvement and transition to stable development.

The legislative system on the local government level must first ensure compliance with city dwellers' constitutional rights to health protection and a benign environment.

Creation of the system must encompass the following: formulation of a statute stipulating the powers and interaction of subjects of ecological law in the cities; expansion of local government's rights to introduce local ecologically-oriented taxes; legislative stipulation to allocate a portion of taxes for the ecological rehabilitation of territories that are zones of extraordinary ecological problems; introduction of ecological excises on energy resources, designed to restore the cities' condition to health; obligatory training of municipal employees and representatives of local government.

The economic system is crucial to the achievement of ecologically balanced activity in a city. The economic mechanism must be based on the following key principles: self-regulation of problems of environmental protection and use of natural resources within the city; fee-charging status of the use of natural resources (use rights, over-limit and unauthorized use, and so on) and proportional responsibility; stimulation of rational use of natural resources by means of a substantiated credit and tax policy, quota allocation of funds from the city budget to finance environmental restoration and protection projects; compensation for trans-border damage to the environment; ecological insurance requiring responsibility of enterprises posing a higher risk of causing damage.

The monitoring-information system must include: joint federal, municipal, and production agencies monitoring the environment; ecological monitoring within rayons, hazardous zones, and the entire city; creation of a telecommunications network to provide prompt communications with cities where a hazard has developed.

WHERE ARE THE WARRIORS?

Now concerning the agroindustrial complex, which, as we know, includes agriculture, forestry, water management and fisheries. These sectors cover a large portion of Russia via production activity and have an impact on the environment. This is due to the fact that environment-forming factors here dominate all others. They include land resources (soil cover), water sources (rivers, lakes, and seas), vegetation (grasslands and woodlands), wild life, and the air (heat, gas, and water exchange).

Owing to years of incorrect activities in agroindustrial enterprises, environment-forming factors have gone through many changes. In many regions, natural landscapes have been virtually destroyed, and agrolandscapes are flawed and unstable. Soil degradation proceeds apace. According to state statistics, more than 53.6 million hectares of farm land, including 36.2 million hectares of plowed land, have been eroded by water and wind. The total area of land suffering desertification approaches 50 million hectares. About 15 million hectares are salinized.

According to Rosgidromet, soils contaminated with industrial wastes come to over 10 million hectares; of that number, 730,000 hectares are rated extremely contaminated, 2.1 million are rated dangerous, and 7.6 million are rated moderately dangerous.

Human life and health are especially threatened by radioactive contamination of land, water, and food. Since Chernobyl, 4.9 million hectares have been found to be contaminated by radionuclides.

Massive destruction of forests and excessive plowing of land have resulted in the disappearance of thousands of rivers and lakes. The replacement of natural vegetation with cultivated crops, and expansion of planted areas, have resulted in a decline in biological diversity and irreversible changes in the structure of phytocenoses, impoverishment of the entomofauna, and the spread of dangerous diseases and pests (root rot, fusariose, phytophthora, and others).

The construction of large industrial livestock complexes without meeting ecological requirements has done great damage to the environment and to human, animal, and poultry health, and has had an adverse effect on the quality of food products. Very alarming is the disappearance of many species of wild fauna.

These problems that were raised at the Congress are especially disturbing. On the one hand, our homeland, which has suffered so much from economic and political experiments, needs bread right now; on the other hand, the needs of the moment must not crowd out long-range interests, because it is our children and grandchildren who will have to settle our debts to nature.

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*Environmental Security Commission Head on Course of Degradation

954E1216C Moscow KRESTYANSKAYA ROSSIYA in Russian 17-23 Jul 95

[Interview with Aleksey Yablokov, chairman of the Interdepartmental Commission on Ecological Security, by Kiril Kallinikov: "Radiation and Dirty Water"; place and date not given]

[FBIS Translated Text] In the heat of political and economic battles we often forget about ecological problems, yet they affect all of us. Our conversation with Aleksey Yablokov, chairman of the Interdepartmental Commission on Ecological Security, RF Security Council, concerns the environment around us.

[Kallinikov] Aleksey Vladimirovich, what is the state of Russia's soils today, ecologically speaking?

[Yablokov] Several years ago we tried to compare the state of various ecosystems, and we found that our soil has suffered most from human activity. And evidently we are not yet fully knowledgeable about all soil contamination. For example, around power plants running on fuel oil, the ground is polluted with vanadium. The magnitude of our nuclear shield has generated the problem of contamination of vast territories by beryllium. I estimate that about 25 percent of the country's soils are severely contaminated. It used to be we did not give much thought to the problem of soil contamination as a result of missile and space activity. But now, 22 million hectares (including fertile land) are found in districts potentially contaminated by heptyl, rocket fuel, and falling rocket parts—Arkhangelsk Oblast, Yakutia, Gornyy Altay, and Novosibirsk Oblast. Only now have the military people started to concern themselves with special applications in this regard. They are conducting experiments at the space center in Plesetsk, hopefully designed to rehabilitate the soil after heptyl contamination. I don't have much faith in it, because heptyl is especially toxic and stable.

The problem of soil contamination is vast and serious, threatening our national security.

[Kallinikov] Can you compare the quality of our ecological science with that of the West?

[Yablokov] There's no unequivocal answer. The founders of Russia's ecological science included such luminaries as Vernadskiy, Kostychev, and Dokuchayev. At the turn of the century, Western scientists were definitely not up to their level, and we were higher on the theoretical plane. Even during the Soviet era we created new sectors of ecology such as soil ecology (Academician Gilyarov). The husband-and-wife team Timofeyev-Resovskiy developed radiation biogeocenology. And biogeocenology itself—the theoretical nucleus of general ecology—was created here by Academician Sukachev. The doctrine of natural focality [ochagovost] by Pavlovskiy is another brilliant page in this century's bioecology. So we have much to be proud of.

On the other hand, we have simply shameful lapses in both theoretical and practical ecology. For example, we still make no use of what is known as risk conception. For a long time now all forecasts of economic activity in the West have been structured on that conception—is the risk from the construction of some object, or adoption of some technology, acceptable? This makes it possible to protect both humans and the environment more reliably. We still go by the principle, "Don't worry until something happens...."

[Kallinikov] What is the state's position regarding ecological problems?

[Yablokov] In February 1993 the President issued a fine edict calling for a national strategy in the field of ecology, and the appropriate directives were given to the government. The government got to work. The fact is, however, that in spite of this the government is also making absolutely anti-ecological decisions. I can't say yet that Chernomyrdin is an enemy of ecology, but in fact he doesn't care much about it. He adopted a program to develop nuclear energy, and for some reason he actively supported the opening of the extremely dangerous Armenian AES [Nuclear Power Plant]. He has supported several large ecologically dangerous projects without any consultation with ecologists, including plans for the construction of several new Baltic ports and a port in Anapa.

On the other hand, Chernomyrdin quickly reacted to a memorandum from the Security Council concerning the so-called yellow children in the Altay. A week after our signal he signed the appropriate order to the Ministry of Health and Medical Industry. Work is now underway, but so far they have found no definite cause of the yellow children; additional observations and research are needed.

As for the President's attitude toward ecology, in 1992-1993 he took a lively interest in ecological problems. Then he became overwhelmed by political matters. Our meetings became rare, which caused me to tender my resignation as his ecology advisor. I wanted more freedom of action, and I got it: in the Statute on the Commission of the Security Council, which I head, the President noted specially that the Commission's decisions call for obligatory examination. Hence, nobody can simply wave off our decisions. Moreover, our Commission is very representative. Members come from practically all resource departments (water, land, minerals), also chairmen of the nuclear inspectorate, the sanitation and epidemiology inspectorate, mining inspectorate, deputy chiefs of the FSK [Federal Counterintelligence Service], foreign intelligence, and the deputy defense minister. When we convene, therefore, it's like a kind of little government. Sometimes all the MVK [unidentified] has to do is make a decision and it is immediately implemented. That's what happened with the ozone layer situation.

Of course we don't succeed at everything. Consider the Caspian problem. Since 1978 its level has risen by more than two meters. What's to be done? Take protective measures? If the rate of the sea's rise doesn't stop, protective measures are no use. We'll have to resettle communities and remove roads and adapt to the new ecological situation—which, incidentally, is due to purely natural causes. What we need is a reliable state forecast (not a dozen forecasts, the way it is now). No such forecast exists today. Every year we spend tens of billions of rubles to build levees, which are always breaking down. The money goes down the drain—literally. In this situation, I'm convinced, it would be simpler and cheaper to give way to the will of nature.

[Kallinikov] What is the greatest threat to Russia's ecology today?

[Yablokov] Leaving aside disorders of state administration and legislation, there are two main problems: the quality of drinking water, and radiation pollution. On the national scale these are the most dangerous. The government is taking solid steps; it has a drinking water program, but no money. Economic levers need to be put to work here—organize a system of fees for emissions so as to make contamination simply unprofitable. This is being done, but even if we do impose a fine on some plant it has no money. By rights it should be closed down, but it employs half the city. If we close it down, what will they do? It's like a vicious circle, although of course there is a way out of any situation if the will is there!

[Kallinikov] Your people are not giving up?

[Yablokov] If we do, I'll quit the Security Council. Right now we're able to make things happen. If we were to quit, how could we look our grandchildren in the eyes?

*Problems in Forestry-Timber Complex Support for Railroads Aired

Ties for Russia's Far East

954E1239A Moscow LESNAYA GAZETA in Russian 29 Jun 95 p 1

[Article by A. Khoroshilov: "Disputes Over Cross Ties"]

[FBIS Translated Text] Lumbermen held their first conference among themselves: it became necessary to discuss the problems of supplies of cross ties for the Far Eastern Railway. The problem is that several enterprises did not have this type of output included in their plans for the current year. And others, although they included cross ties in their list and concluded agreements with railwaymen, are by no means delivering the specified volume of output. The lumbermen talked about their problems and invited the railwaymen to join in the conversation.

The second conference, held 2 weeks later, was attended by A. Khodakovskiy, first deputy chief of the DVZhD [Far Eastern Railway], and responsible workers of the railway's management apparat. The "lumber" side was also represented—the general director of the AO [joint stock company] Dallesprom [Far Eastern Timber Industry], A. Sannikov, apparat workers, and managers of 14 timber procurement enterprises. Almost all of them spoke at the conference and...all said the same thing.

Producing cross ties has been unprofitable since 1 January. Top grade raw material is used for them, and the value of a cubic meter, if delivered for export, is 750,000 rubles [R]. But if it is used to produce cross ties, earnings would be only R200,000. It is clear that the directors of the LIE's [lumber industry establishments] are not particularly anxious even to fulfill contracts which have already been concluded. But 187,000 cross ties must be supplied during the year.

The discussion of the problem was a long one: what must be done to keep both sides happy. To give the LIE's and DOK's [woodworking enterprises] an interest in producing cross ties and not at too great a cost to the railwaymen. The lumbermen proposed to raise the price of the item to R80,000-R90,000 as opposed to R8,700. But ultimately they agreed to a compromise—R75,000. They are not accustomed to making concessions: they used to include 17 percent rather than 25 percent profitability in the items supplied to railwaymen.

The railwaymen did not agree to this alternative right away. At first they tried to use the lever of eliminating reduced rates. Despite the fact that shipping rates have risen 5-fold in the last year and a half, while the price of cross ties has risen only 2.3-fold. But seeing the lumbermen's resolve not to retreat from their stated position, the railwaymen decided to comply. It is certainly true that they must not miss the summer months for repair work.

Seeing that the railwaymen were inclined to compromise, the lumbermen made a few more "gifts"—they required the managers of the AO's Khor DOK, Istok, and the Vyazemskiy LIE to make proposals within a week on organizing production and delivery of sleepers for the DVZhD. They agreed to other proposals as well. The draft protocol was prepared for signing. It envisioned the production and delivery of 265,000 units before the end of the year and setting the price of the cross tie output every month with due regard for indexing.

But there was only one signature on the protocol—that of the general director of the AO Dallesprom, A. Sannikov. The first deputy chief of the DVZhD, A. Khodakovskiy, was unable to decide to seal the agreement with his signature.

"To ride the rails you first have to walk the ties" goes a song which was once popular. According to the Russian saying, you have to tell the whole story. But the cross tie's road from the LIE to the railroad subgrade has become far too long.

'Railroad Timber Hitch'—High Costs to Shippers

954E1239B Moscow LESNAYA GAZETA in Russian 20 Jul 95 pp 1-2

[Article by V. Shabalin, chairman of the Council of the Kirov Oblast Branch of the Timber Merchants Union: "It Is Painful: The Railroad Timber Hitch"]

[FBIS Translated Text] The timber industry complex's first half year of operation in this current year, noteworthy for many events, is ending. The results, to be frank, are not gratifying. According to the results of the first quarter, only paper industry workers and plywood makers came out a little ahead of last year. The actual timber procurement sector, as the basis of all woodworking production, permitted a decrease in relation to last year's already low indicators. Work in the second quarter does not inspire cheerful prospects either.

In this article we will not analyze such artificial causes of the sector's disintegration as the flawed tax system, which prevents enterprises from working at a profit, or the problem of mutual nonpayments, which prevents enterprises from either paying wages or buying raw materials for day-to-day production.

But I would like to dwell in more detail on the price domination of monopolists, who have seized all commodity producers by the throat in a death grip. Specifically we will speak of the activity of railway transport, which is aggravating the already shaky position of the timber industry.

The attached figure (see next page) [not reproduced] shows examples of the sharp drop in volumes of timber output shipments by certain stations of the Gorky Railroad for Kirov Oblast with a concurrent rise in railroad rates. And in fact, in 1994 as compared to 1993, the average monthly shipping volumes dropped: for Kirs Station—from 172 carloads to 90; for Stalnaya Station—from 322 to 237 carloads; for Pinyug Station—from 249 to 112 carloads, and for Novyy Station—from 160 to 57 carloads, and so on. At the same time, during the period from 1 January 1993 through 15 April 1995, the railroad rate was raised 19 times and rose by a factor of 70.6.

Inasmuch as in most cases the consumer of the output pays shipping costs, the transport workers' excessively high rates are frightening the consumers away from using this type of "service" more and more often. But the freight shipper remains the loser because of, to be direct, the railroad's "extortion" for those types of work which until recently were included in the rate or considered a component of prime cost of railroad stations' transport work.

Here are examples of some types of similar "services" used by the Gorky Railroad at stations in Kirov Oblast:

1. R13,574 a carload for registering shipping documents.
2. R36,926 per switch to throw switches.
3. R863 per unit for providing the visa for the way-bill.
4. R83,050 per half hour of shunting work.
5. R161,594 per car for matching cars with open doors.
6. R43,416 per unit to open and close gates.
7. R229,407 per car for delivery of cars.
8. R26,043 per unit for affixing brake heads.
9. R105,700 per car for searching for freight before the shipping period is over (and who lost it?).
10. R214,000 per container for rush delivery of freight (and who besides the railroad will take that into account?).
11. For mandatory freight insurance—2 percent of the cost, and so on (altogether up to 40 types of work. Incidentally, like the rates, they are rising in the second quarter of this year too).

Moreover, the railroad does not provide even one piece of information free of charge to the shipper.

The average shipper of timber output with a shipping volume of 150-200 carloads a month runs up somewhere around R1.5-2 million rubles a day. And that is in addition to the payment of the rate.

There is a clear monopoly here, a monopoly the railroad justifies with groundless allusions to higher prices for energy media and electricity. These explanations should be clarified. For comparison, with a more than 70-fold increase in railroad rates during the 2 year period under study, prices for liquid fuel have risen 4.5-fold, and prices for electricity for industry—30.9-fold.

The leadership of the railroad department, "in step with the times," operates on the principle: demand creates supply. It is not without reason that the wages of railway transport workers are some of the highest in Russia (excluding banking and commercial structures).

But that is a social aspect which is clearly not in harmony with the ordinary Russian citizen's present potential, unlike during the times of "stagnation," to travel by rail only for the funerals of close relatives.

The economic aspect of the question is much more dangerous. For the shippers themselves are by no means to blame for the sharp drop in shipping volumes related to the decline in the volumes of their production. There is another reason—the transport workers' clients simply "washing their hands" because they cannot pay the excessive rates for services.

As a result, because of the delayed sale of the finished output and the cutback in production volumes in view of oversupply, the commodity shipper suffers. The consumer of the output, who often stops his production because he cannot obtain component parts by rail because of the excessively high railroad rates, suffers. The carrier himself, who loses large volumes of shipping because of temporary advantage, suffers too. Ultimately the state, which allows itself to reduce total economic potential for the reasons indicated above, suffers.

Is there a solution to this situation?

There undoubtedly is. In any civilized country, the federal government controls activities vitally important to the society as a whole strictly. Undoubtedly railroad transport above all belongs to these spheres. And it is simply unforgivable to farm it out to today's "entrepreneurs from the railroad" in our difficult times.

I would like to believe that the statesmen from the government and parliament will soon come to understand the question raised and intervene.

Narrow to Broad Gauge Transformation

954E1239C Moscow LESNAYA GAZETA in Russian 29 Jul 95 p 1

[Unattributed report: "They Fought for the Railroad"]

[FBIS Translated Text] It was a long and torturous process to convert the narrow gauge railroad of the Pervomayskiy Timber Industry Enterprise to broad gauge. Reconstruction at times reached an impasse and almost stopped but was revived again and ultimately began to near completion. Timber and quarried limestone and other freight were shipped on this line. The Sakhalin Administration proposed that Sakhalinlesprom [Sakhalin Timber Industry] transfer the trunk line either to the Railroad Administration or to the joint venture Tetrosakh. The board of directors of Sakhalinlesprom decided that it needed the trunk line itself and kept the line under its own management after agreeing to allocate money to complete reconstruction—R16 billion from the fund for centralized development of production and other sources. The governor agreed with the lumbermen's arguments and let them keep the railroad.

*Zaveryukha, Agricultural Leaders Convene in Samara

Nazarchuk Reports on 1995 Situation

954E1247A Moscow KRESTYANSKAYA ROSSIYA in Russian 24-30 Jul 95 No 28, p 1

[Article by Olga Tugina: "Agrarian Workers on the Volga: Is It Harvest Work or the Election Campaign?"]

[FBIS Translated Text] The RF Ministry of Agriculture and Food held a conference of the Coordinating Council and the collegium devoted to the first half year's results on 14-15 July. Representatives of the governments and administrations of krays and oblasts, agricultural science, and AKKOR [expansion unknown], deputies of the Federal Assembly, and managers of Russia's agroindustrial complex organizations participated in it.

The minister of agriculture, Aleksandr Nazarchuk, reported that agricultural producers received more than 500 billion rubles [R] to buy fertilizers and means of plant protection during the first half of the year. As a result, early spring top dressing was done on 5 million hectares of winter crops and 7 million hectares of summer crops. Almost 3 million hectares of grain crops have already been thrashed and 6 million tonnes of grain have been milled. The grass haying season exceeds last year's rate—2.2 million more tonnes worth of fodder units have been put up. It is going especially fast in Krasnodar and Stavropol krays and in Moscow Oblast. However, the drought did drastic damage in many regions—more than 26 million hectares were damaged and more than 5 million hectares were destroyed altogether. Preliminary damages from the incomplete harvest will come to about R7 trillion. Second plantings are underway in the regions hurt, and the questions of supplies of fodder from last year and domestic redistribution are being discussed. The problem of the availability of technical equipment for agricultural enterprises is on a par with the drought. According to the minister, the level of availability of technical equipment is such that only 60 percent of the harvest can be completed at the right scientific farming times. As he acknowledged, various measures taken by the Ministry of Agriculture are not having any tangible results at all.

Describing the agricultural sector overall, Aleksandr Nazarchuk stated that "the task of stabilizing the situation in the agroindustrial complex has not been fulfilled." The volumes of production of the main types of agricultural output are declining. The law on purchase and delivery of agricultural output is not being followed in practice. The report on the situation in livestock breeding sounded much more optimistic. Pedigreed stock resources were largely preserved during this first half of the year. There are an increasing number of regions with signs of stabilization of this sector.

Participants in the meeting visited the AO [joint stock company] Intensivnyy korm [Intensive Feed], a prosperous holding company which was used as the base to create the Russian-American educational center for people involved in the feed production and livestock breeding sphere. At the Olginskiy Sovkhoz, they examined new technology for cultivating potatoes offered by a Russian-German joint stock company. Most likely under the impression created by the foreign technologies and equipment on our exhausted fields, vice premier Aleksandr Zaveryukha announced that there will be no food crisis in Russia.

Incidentally, the entire meeting had a militant mood and debates over measures which must be taken very soon were more specific; that provides some hope if not for progress, at least to stop backsliding. A large part of the meeting was devoted to discussing the pre-election situation behind closed doors.

Sector Performance Discussed, More State Support Needed

954E1247B Moscow DELOVOY MIR in Russian 25 Jul 95 p 5

[Article by Aleksandr Vorobyev, under the rubric "Agricultural Complex": "Wherever You Look, It's All Dirt"]

[FBIS Translated Text] This Russian proverb for the idea that there is no way out expresses the exact impression received from the big agrarian summit held in Samara. The country's entire agricultural management corps headed by vice premier A. Zaveryukha came there. Almost 200 participants in the conference of the coordinating council and collegium of the RF Ministry of Agriculture and Food were sitting in the hall.

I honestly expected significant, fresh discussion on the main topic on the agenda: the condition of the Russian agroindustrial complex based on the results for the first quarter of 1995 and the tasks stemming from the RF government's program "Reforms and the Development of the Russian Economy in 1995-1997." Fresh in the sense that the well known facts about our rural affairs which the press and radio and television broadcasts are full of would not be repeated over and over again. The minister of agriculture, A. Nazarchuk, also called for constructive talk. But even so the participants in the meeting spent more time describing vivid pictures from reality rather than sharing their visions of a way to bring the agroindustrial complex out of the situation which has developed.

In the opinion of a kolkhoz chairman from Tula Oblast, the chairman of the Agrarian Union of Russia, V. Starodubtsev, it is important to the cause first of all to diagnose the disease correctly and assess exactly what is happening in this sphere of the economy. In his estimation, there has been a snowballing breakdown of the agroindustrial complex and it is in a state of collapse.

The assessment of the situation in the minister's report is evasive: it is "not a simple situation," but "a certain amount of work has been done."

The new deputy RF minister of economics, I. Starikov, expressed his opinion more graphically by telling this story. Before she gave him a haircut, the city barber would always ask her friend, the kolkhoz chairman: "How are things in the countryside?" He would always answer tersely: "They are stabilizing." A friend of the curious barber was surprised: "Why do you always ask Ivan the very same question?" This was her answer: "After my question his hair stands on end and it is easier for me to give him a crewcut." You can rely on the deadly aim of the deputy minister's humor: he was walking in the chairman's shoes not so long ago, people say.

The vice premier was more open than the minister in assessing the situation as a "most unfortunate one which alarms not only the government but commodity producers too."

This assessment was certainly illustrated by those who spoke.

Almighty God, unfortunately, did not help Russia this year. Drought affected 26 million hectares of cultivated area in 25 of the country's regions. Sprouted seeds on 5 million hectares died. Total losses are estimated at R7 trillion rubles.

By mid-July, 29 million tonnes of grain had been harvested as opposed to 48 million last year. Only 60 percent of the fodder requirement will be procured. So we will certainly have to import food again. At least 10 billion dollars will be needed to do that.

The amount of cultivated area and number of head of livestock and their productivity continue to decline. For example, the number of head of sheep in Russia during the year declined by 8.7 million, or 31 percent. Not a single region showed an increase. The largest decreases are in Vologda and Pskov oblasts and the Komi Republic. Sheep there will soon be vestiges of the past.

And it is even worse with swine. Hoof-and-mouth disease has been discovered at a large farm near

Moscow. Six thousand head had to be buried and sales terminated. Losses are estimated at R18 billion.

The level of equipment available to agriculture is declining. Prices are too high, and then even if they were cheap there is no money. In Rostov Oblast, for example, rural residents bought 1,800 combines in 1991, while in 1994 they only acquired 93. The data for Stavropol Kray is in roughly the same proportion.

The network of sociocultural and domestic enterprises is declining sharply.

A correct diagnosis has been made, as you can see. Have the causes of the disease been sought? Yes, they have. The most ardent opponent of the present course, V. Starodubtsev, spoke about the government and ministry's lack of a specific general concept for developing this sector of the economy.

"The deep causes of the crisis in the agroindustrial complex are the result of mistakes and miscalculations in managing agriculture and the disastrous financial condition of agrarian workers," said the general director of the Rostov Oblast department of agriculture and food, Yu. Ovcharov.

Obviously both speakers are right, since paradoxes of reality which common sense is unable to explain were cited. It turns out that large reserves of cream have been stockpiled at creameries in some oblasts. Many people do not know where to sell extra grain, powdered sugar, and other foodstuffs. But the Dagestan minister of agriculture, M. Magomedov, simply pleaded:

"Buy grape wines from us! We have R45 billion worth. Are we perhaps not allowed on the market because we are persons of 'Caucasian nationality'"?

The latter was the minister's joke, but not a cheerful one.

Magadan Oblast has just now begun to obtain fertilizer for the 1995 harvest. Is there really none in the country? The director of the Cherepovets Ammofos [Ammophos] Plant, V. Babkin, said from the tribune that the bulk of the cheapest mineral fertilizers in the country goes abroad, since the system for selling this output on the domestic market has still not been worked out. Meanwhile, meat consumption by Magadan residents has declined to five-eighteenths its former level, and egg consumption—to one-sixth. Local agroindustry needs special care, but exactly the opposite is occurring.

Obviously these paradoxes compelled Russia's minister of agriculture to call upon agrarian workers to be guided more by common sense rather than economic theories and political precepts in their actions. In fact, this is a good recipe for curing the agricultural complex, a folk remedy, so to speak. What other "remedies" did the participants in the collegium seminar point out?

Almost everyone spoke of the need to increase the state's impact on processes occurring in the agroindustrial complex. There are, as they say, more than enough presidential edicts and government decrees. But these are just empty words on paper, since money to realize them is not being allocated. Even direct budget allocations do not arrive in time (36 percent of them were received during the first half of the year). Only one-fifth of the amount needed has been released to develop agricultural science.

The purchase of foodstuffs for federal resources has not been organized. Consumers do not go to the site to conclude contracts. And finished output "spills out" into numerous private channels. In Tambov Oblast, 200,000 tonnes of sugar "dissolved" that way. It is reaching the point where foreign firms provide our food for us.

The very low level of labor payment in the countryside leads to undesirable effects: the peasants are beginning to rely on private plots and consider working in associations a secondary matter; a considerable number of farms have begun to engage in commerce and intermediary activity, diverting energy and money from accomplishing the main objectives.

In my opinion, Stavropolites are certainly right to be perplexed at the state's fixing prices for grain while there are no price frames for fuel and electricity.

The practice of privatizing enterprises of the processing complex and other objects related to agricultural production causes great concern. Falling into private hands, they may be cut off from agricultural production. An altogether rational proposal has been made: by paying off debts allow kolkhozes and sovkhozes to buy the controlling blocks of stock of these enterprises and thereby consolidate their interaction with farmers and livestock breeders.

I expected a great deal of attention from management to the private farm movement. After all, 285,000 farms own 12 million hectares of land. This was the only request: abandon the residual principle in relation to private farmers.

And, finally, there is one more problem covered in the speech by State Duma Deputy N. Sukhoy. He spoke with alarm and provided documentation of the "destruction of land improvement," which causes about a million hectares of land to revert to marsh every year.

Vice premier A. Zaveryukha directed attention to the fact that the large sums of money the state allocates for creating regional funds often are not used for the designated purpose. Why, for example, is R53,000 per hectare allocated from the budget in Ulyanovsk, while only R7,000 per hectare is allocated in Penza?

In the opinion of the deputy chairman of the government, three factors can effect small advances in the activity of the agrarian sector of the economy: increased financial support from the state, introduction of progressive technology, and development of agricultural science.

International Affairs

Vydrin Views Foreign Policy Issues

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[Interview with Dmitriy Ignatyevich Vydrin, political scientist, doctor of philosophy, adviser to the president on domestic policy, and director of International Institute of Global and Regional Security, by Gennadiy Korzh; date and place not given: "Today Ukraine Has No Particular Friends Or Particular Enemies, and That Is Not Good"]

[FBIS Translated Text] **When I interviewed Dmitriy Vydrin, political scientist, doctor of philosophy, and adviser to the president on domestic policy, I did not want our conversation to be limited by official constraints and I therefore chose to address him by another of his titles—director of the International Institute of Global and Regional Security.**

[Korzh] Dmitriy Ignatyevich, please tell us about your institute.

[Vydrin] This is the first non-governmental institute of its kind to be established in Ukraine with American and Russian participation for the purpose of completely objective and unbiased assessments of foreign and domestic policy from the standpoint of the national security of Ukraine and the security of Europe and the world as a whole. The institute was established by military leaders as well as academics. One of the founders, for example, is American Two-Star General Kravtsiv. In our three years of work we have been busy with several large international projects connected with publishing activity and conferences. We have held more than 15 conferences on the most diverse aspects of national and international security: the nuclear status of Ukraine and other countries, the environment, and the economy. We were the first public organization to begin holding conferences on international security issues. In the past, this was the prerogative of state institutions, and only those connected with the armed forces and law enforcement agencies. We tried to create a precedent for what constitutes most of the foundation of the civic society. In the simplest terms, any society in which independent organizations do not participate in the establishment of security structures and in the analysis of their performance cannot be called a civic society.

[Korzh] What do you think of the events in Budennovsk and in Chechnya in general? What effect could they have on the national security of Ukraine?

[Vydrin] Today we are hearing so many stories and opinions, and I have my own. It does not coincide completely with the others. My point of view is distinguished by my effort to look beyond all of the emotional obstructions. There have been articles in the press that have tried to provide some justification for the actions of the Chechen side, saying that each of these people experienced a personal tragedy—each lost relatives, including women and children, at the time of the hostilities. This is supposed to justify the actions of the fighters in Budennovsk. As a man who has studied the problem of terrorism, I have difficulty agreeing with this point of view because it could have significant negative consequences. The actual situation is illustrated best by the analogy of a man-eating tiger. His love for human flesh has made him an outlaw, while other tigers are on the endangered species list and deserve protection. The man-eating tiger is the target of unconditional annihilation, even though, if we look into the history of this tiger, we are certain to find cubs that were mistreated by human beings or a mate that was captured for a zoo. The community of states also has certain humanitarian laws which cannot be broken by anyone, even people who do not agree with these legal standards. These precepts can be called community standards, or even biblical laws. If the human race had not adhered to these laws, it would not have survived. The lives of children, women, the elderly, and the disabled cannot be used as instruments for the attainment of political goals. If a person breaks this law, he loses the right to a political life and to physical existence. The failure to punish these "man-eating tigers" creates a vast (in the political and geographic sense) zone of temptation. The developed network of news media carries the news of these events to all parts of the world, and if the state does not respond to the events in Budennovsk in the appropriate manner, this example could be followed by others—and not necessarily in Russia, but also in, for instance, Belarus or Ukraine and in Germany or France. At this time it seems that these people have won a moral victory, a political victory and, possibly, a financial victory. The failure to retaliate, I repeat, creates a colossal temptation for groups with similar political views, all the way from Japan to Great Britain, and this would be extremely dangerous.

[Korzh] Today political terrorism is more common and is taking increasingly extraordinary forms. How could anyone deny that the taking of the "blue berets" hostage in Bosnia was an act of terrorism? And what about NATO's bombing raids on the positions of one of the sides in the conflict?

[Vydrin] I would still draw a distinction between terror, when the state exerts pressure on minorities and individuals, and terrorism, when minorities attempt to exert pressure on the state. These are interrelated phenomena: Terror usually gives rise to terrorism, and vice versa. This creates a logical circle, which is quite difficult to break. Metaphorically speaking, terror and terrorism are like Siamese twins, kept alive by the same circulatory system but having different heads and different ways of thinking.

[Korzh] You are right to say that they have the same circulatory system. It is called reliance on force, the belief that any problem can be solved by violent means.

[Vydrin] They also have another common feature—a lack of respect for the human being....

[Korzh] Getting back to the subject of Bosnia, Ukraine now has 1,200 of its own soldiers among the "blue berets" there and plans to increase the number to 1,800 by the end of the year, but should we be sending our citizens to a place where they might be taken hostage? The Serbs may have released their hostages, but now the Bosnian Muslims have taken around 100 Ukrainian soldiers prisoner. Why should our young men risk their lives? Ukraine, after all, has no policy of its own in the Balkans. What are we doing there?

[Vydrin] You have brought up a whole group of interrelated issues. I have investigated some of them, but the logical connections between some still escape me. As a state, Ukraine has its own distinctive mentality (although I dislike this word intensely). This mentality is prone to some extent to introverted thinking, preoccupation with our own problems, and a certain degree of isolationism—more commonly referred to as a preoccupation with one's own farmstead. That is why I applaud any action transcending Ukraine's immediate interests. This is an indication of a breakthrough in this mentality, an attempt to serve broader interests. In general, it would be best if Ukraine could serve its own interests and simultaneously serve the interests of the whole world. We have to begin thinking of ourselves not only as Ukrainians, but also as Europeans and citizens of the world. That is why any action representing a breakthrough in the mentality of people who spend their evenings discussing the local news on television is extremely necessary to us. We are not living in the best of times. Some people may feel that the participation by our soldiers in the peacekeeping forces in Bosnia is an untenable luxury: The Balkans are so far away. Tomorrow, however, this might be absolutely essentially from the standpoint of our psychological involvement in common European affairs. That is why I was among the strongest supporters of Ukraine's participation in the peacekeeping operations.

On the other hand, this participation has not been as effective as we had hoped, and this is arousing disillusionment. I do not think Ukraine is to blame for this. I think it is the fault of UN policy and the preconceived notions of the Balkans we had to uphold. The ineffectiveness of these very notions, in my opinion, stems from their somewhat illogical basis. The use of force has alternated too frequently with the use of political methods to solve problems. Meanwhile, neither has been taken to the logical conclusion. The fragmented nature of this policy, its inconsistency, and its lack of a theoretical foundation have kept political and military methods from producing results. We need consistency. We can either join the world community in applying political pressure and carrying it to its logical conclusion, or we can use force, and this will also require consistency and the use of all possible options in this area. After all, by not committing ourselves completely to one means of dealing with the situation, we have not only failed to resolve the problem, but have also compromised the possibility of using the same methods to resolve it in the future. The use of force, as we know, is effective not in the phase of its direct application, but in the phase preceding this.

The use of force in Bosnia has been compromised, and now there does not seem to be any need to use force at all. We should move completely to the political phase and begin seeking a consensus.

[Korzh] How close are we, in your opinion, to a major war in the Balkans, and possibly in Europe as well?

[Vydrin] Luckily, Europe does not seem to be primed for a big war. I do not see any polarization of large zones with specific interests on this continent. It is clear that Germany has major interests in the Balkans, but I do not see an opposing side with interests of equal magnitude.

[Korzh] What about the United States?

[Vydrin] I do not think that U.S. interests are different enough from German interests for a confrontation in the military sphere.

[Korzh] Russia?

[Vydrin] This is also improbable. Recent events proved that it is not psychologically, technically, or economically prepared to pay a high price for its interests, and the price in this kind of conflict would be extremely high. On the other hand, a war starts when the pain threshold of a state (or part of a state) is disastrously low. Each country has a definite threshold of this kind. It can even be measured with the aid of precedents. The threshold for the States is apparently equivalent to a few dozen lives. We should recall that only a few dozen Americans had to die in Lebanon before the United States stopped defending its own interests by such specific means.

[Korzh] And in Somalia...?

[Vydrin] Yes. So it is obvious that a dozen precedents could be cited to prove that each state has its own pain threshold. It can rise or fall under different kinds of regimes. The totalitarian regime "erases" this threshold. After all, the totalitarian state is essentially indifferent to the lives of its citizens. It makes no difference to this kind of state if it loses a thousand or a million. Russia has reached the level of international integration at which its pain threshold is perceptibly lower. Of course, it is still much higher than in the United States, but the pain threshold has an extremely interesting property: Transcending it can destroy the machinery of state. This was illustrated by Afghanistan and Chechnya. Rulers are their own best friends. They do not have to use arithmetic to calculate the maximum pain threshold. They have an intuitive sense of it. None of them would take any action that would be self-destructive.

[Korzh] None but the inveterate felons and fools.

[Vydrin] That is true. That is why I feel that local wars are possible in Europe today, but Europe as a whole, in my opinion, is not ripe for global war now and, God willing, never will be again.

What happened in the Balkans, however, was something that certainly could happen in other regions. It was a paradoxical combination of the underestimation and overestimation of the Muslim factor. On the one hand, the differences between religions were underestimated. The Bosnian Muslims, after all, are of Slavic origin, and that is why the ethnic factor was overestimated and the religious factor was underestimated. Subsequent events proved that religious differences are more fundamental than ethnic or even racial differences. A black Christian is closer to us in some respects than a white Muslim.

On the other hand, the aggressiveness of the Muslims was overestimated. The Muslim religion is just as nonaggressive (or, by the same token, just as aggressive) as the Christian religion. The addition of certain political elements to any religion, making it either pacifistic or aggressive, is a different matter. The hysteria over this aggressiveness was unconsciously fostered by the people engaged in the peacekeeping operations today, including NATO. After all, just as any other military structure, NATO cannot live without an opponent. That is how rumors were spread about the inherent aggressiveness of the Muslims. This may have been the reason that the side opposing the Muslims relied on the use of brute force from the very beginning. It was proceeding from the clearly false premise that the enemy had a tendency, fostered by religious tenets, to think only in terms of relative strength.

[Korzh] It is paradoxical that NATO is supporting the Muslims....

[Vydrin] It supports them, but it also keeps implying that the Balkans will always be a source of the Muslim threat.

[Korzh] This could even be due to Europe's historical fear of a Muslim (and at one time Turkish) presence within its territory.... We should try to draw an analogy between Bosnia and Ukraine (although comparisons of this kind are always lame). The presence of the same religions as in the Balkans is striking: Orthodox, Catholic, and Muslim.

[Vydrin] It would be much simpler if our economic reform had progressed more quickly. Then the number of excuses for confrontations would be reduced considerably—at least with regard to the Muslim factor. I have had frequent meetings with representatives of the Crimean Tatars. Oddly enough, although they call themselves anticommunists, they are immersed in the Bolshevik ideology. Many of the reasons for this confrontation, after all, were connected with their property claims and their demands for free apartments, free houses, and free land. The field of tension created in this way can grow into political confrontation under certain circumstances. If we had already gone through the phase of the illusion that the state can afford to give out certain things for free, if we were in the stage of the primary accumulation of capital, distinguished by minimum intervention by the state in the affairs of citizens (broad social programs will be launched only after the formation of a subcutaneous layer of fat—this is the secondary brand of socialism, derived from a primary phase of robbery), no one would make these demands, and they would sound ludicrous. After all, anything has a market price and everything costs money.

The delays in reform led not only to general social tension, but also to sociopolitical tension between religions, and this is dangerous.

[Korzh] Who is responsible for the delays? I am not asking for the names of specific individuals. I simply want to know which groups are responsible.

[Vydrin] This is apparently another case in which the mosaic has to be carefully disassembled and the interests of different groups and different microgroups have to be examined. Let us think about this, but without aspiring to any kind of comprehensive analysis. It is probably frightening for the average person who lived most of his life under the old system to suddenly have to adapt to the new one. In Western countries there are special courses in "assertiveness training," where people are taught how to behave in difficult situations. We have no such courses, and our catastrophic fear of the unfamiliar has led social strata and whole collectives to act against their own interests. For instance, a businessman might want to buy a cafeteria, but the collective suddenly starts defending the old form of property ownership. The reason is simple: Although the businessman promises to increase wages tenfold and to keep the best workers, no one is certain that he will be chosen as one of the best.

The fear of risk is present not only in broad segments of the population, but also in small political circles. The Ukrainian political machine took shape approximately three years ago. It is quite small, and the whole thing probably could fit into the geopolitical distance between the restaurants of the Kiev and National hotels. It has consisted of the same people for three years. Presidents, parliaments, and governments have changed....

[Korzh] ...like the menus in the restaurants...

[Vydrin] ...and the prices, but the machine is still the same. For many psychological reasons, politicians in Ukraine seem to have reached a tacit, intuitive agreement not to gamble with high stakes (and, consequently, not to expect any winnings). This presupposes the impermissibility of any abrupt moves or dramatic changes. They have been doing this for 3 years and expect to go on doing this for another 33 years. Incidentally, many of these people are advocates of market reform, but they also have no interest in playing to win because they are afraid to take risks. This is confirmed by a comparison of their statements in parliament and the actions they take when they become members of the government.

There are bureaucrats who benefit from this turmoil. They believe that they can live with the market and with state planning, with the West and with the East. This kind of "bisexual" conduct will eventually destroy important government agencies. At this time, as long as they can keep collecting bribes, these people have no interest in promoting reform either.

Then who is interested in this? Only a few isolated individuals. A small group of private businessmen, concentrated in a few big cities, and the modest stratum of private farmers.

[Korzh] Today we spoke of our people's inherently introverted mentality. Could this be the reason for the neutrality of our state? Ukraine today, after all, is stuck somewhere between the East and the West, suspended in mid-air, although some politicians would say that it is standing tall.

[Vydrin] First we have to find the psychological roots. On the most basic level, politics and economics did not exist. There is only psychology, studying the interests of individuals, which can be identified and categorized and which combine to make up the interests of groups. That is how sociology comes into being. These group interests then combine to make up the interests of social strata and classes, which then produce politics. There are interests of a material nature, which then give birth to micro- and macro-economics. Economics cannot be described as mere mathematical formulas, major and minor cycles, or the movement of capital; it is the blending of human psychological factors and the desire to eat well, dress well, and travel.

I think that this neutrality was also based on the psychological needs of individuals, which evolved into this concept in an odd manner. Above all, there was the desire not to be disturbed, the desire to reach a state of tranquility and pleasure with minimal distractions. In principle, the human being does not like to think. Ideas can even be painful to individuals who are not accustomed to the cognitive process. Many people would rather dig ditches all day than work on a difficult problem. Any kind of complex game (and alliances presuppose complex moves and, consequently, intellectual effort, energy, and action) contributes nothing to this kind of nirvana. We now have a whole throng of politicians for whom tranquility, the lack of strong motivating factors, and the absence of intense reactions are their natural state. That is how they came up with the idea of a quiet, peaceful, and gentle state in which a person can enjoy high status without any distractions in the form of situations requiring complex thinking, the development of intricate theories, or a necessarily high level of continuing education.

In hindsight the idea of neutrality is substantiated as the ascendancy of the love of peace, peace-making, and God knows what else, although a closer analysis reveals that this is sheer nonsense. It is economic nonsense because neutrality in today's world costs three or four times as much as membership in a bloc. Ukraine obviously cannot afford it. It is geopolitical nonsense because now that Ukraine has reached this crossroads, it simply has to have a closer relationship with one side. It is probably ideological nonsense because it is impossible to reproduce in a constant state of tranquility. Only plants can do this. Sooner or later, there has to be some concern about the future. In short, this idea looks absurd from any vantage point.

[Korzh] The present concept of neutrality, in my opinion, suggests an attempt to gain something from both sides. This is impossible. What do you predict?

[Vydrin] There are two decisive vectors. The most important, oddly enough, is not the pragmatic vector, but the vector of affinity. At one time we tried to apply Churchillian theory (which is actually just a sophisticated name for a simple idea). He said that Britain had no abiding friendships, but it did have abiding interests. Neither an individual nor a country can live a completely pragmatic life, however. Any state has partners which may not always be economically advantageous, but which are friends for other reasons: either a common history and culture or similar national characters. There are also countries which would gain economic advantages from an alliance but are nevertheless separated by mutual antipathy. This kind of antipathy sometimes takes years to overcome. France and Germany, for example, took decades to surmount their mutual antipathy. Colossal and purposeful efforts were made during the postwar period in their relations: joint economic, military, athletic, and cultural programs, sister-city exchange programs, and friendship clubs.

The second vector is the pragmatic one: One country is the main sales market and the other is the main supplier of raw materials. The choice of strategic partners depends on various combinations of affinity and pragmatism, of emotion and logic. It would be difficult to define them precisely. There are so many different levels, for instance, in relationships with countries that are now the dominant economic partners, and some of these have aroused mutual antipathy. In relations with countries with which there is a strong basis for friendship, there are no opportune grounds for economic cooperation and no potential advantages from this kind of cooperation. The situation is extremely complex, and it would be difficult even to guess what might happen.

[Korzh] Let us assume that I feel a great affection for a particular nationality. When I am with these people, however, I suddenly realize that the leaders of these generally wonderful people have always disliked my own people for some reason. The people are wonderful, but the state they inhabit is bad because they have bad leaders. What is the solution? Should it begin with the improvement of the atmosphere and the elimination of minor problems? One of these problems in Russian-Ukrainian relations is the problem of the Black Sea Fleet. To what degree are both sides ready to solve this problem—to solve it instead of making use of it for their own purposes?

[Vydrin] In a certain sense, you have come up with the answer. It could be worded in a slightly different way: A state cannot be built with cold hands; it requires warm relationships with other nationalities. Our apparent government monopoly in the establishment of relations with other states is one of the most serious afflictions of the post-totalitarian society. In a normal civic society the citizen would play the main role in this. In that society the citizen is strong enough to influence foreign policy. Of course, this applies above all to a rich citizen with major financial or economic interests in a particular state. As long as the problem of Ukraine's relations with Russia can only be solved on the level of the highest political echelons, it will remain insoluble. It will be solved only when it comes down to the level of the civic society, when the main lobbyist will not be a bureaucrat whose choices and judgments are based on his own likes and dislikes, but an individual who has a joint bank or joint venture and who is so influential that his economic interests can shape the political doctrine of the state. The problem of Ukraine's relations with Russia will be solved in the context of the changes in the economic structures of the state, when transnational corporations cover the vast territory with the network of their enterprises and when advertisements for the "First Russian Private Bank" appear in our financial district and ads for the "First Ukrainian Private Bank" appear in theirs.

There is also another side of the problem: We do not know if the efforts of our politicians are having a positive or negative effect on our relations. There is this paradox, for example: Some radiophysicists I know told me that when the breakup of the USSR prevented the disbursement of huge amounts of money for the neutralization of the radiation danger in the Chernobyl zone, the background suddenly improved dramatically. For this reason, when top- level government officials make an effort to improve relations, I invariably wonder whether they might not get worse. After all, when something diverts the top echelons of government from the "improvement of relations," I sometimes learn to my surprise that they have improved on their own. That is why we have the highest hopes for the tremendous self-organizing strength of the society. If we do not interfere with these processes of self-organization, except to direct them at times, and only in the most tactful way, then we will see results much earlier. In the case of the improvement of German-French relations, most of the work was done not by the state, but by friendship clubs, various Franco- German unions, and universities. This is an example of the colossal self-organizing strength of the society. In principle, I have faith in it.

As far as the Black Sea Fleet is concerned..., I attended some of the negotiations. Oddly enough, I did not see any particular problems there. There are only two prerequisites, which must be taken into account at all times. If this is done, most of the problems will disappear. These negotiations were being conducted mainly by military leaders, however, and they were conscious of everything but this.

Here are the prerequisites. The first is that the problem cannot be broken down into an infinite number of elements. In my comments on it, I even reminded the

Russians of an example from the life of our common literary giant, Lev Tolstoy. Tolstoy once automatically killed a mosquito when it landed on his neck. A student who was walking beside him was surprised and asked: "But what about the non-violent resistance of evil?" Lev Nikolayevich thought for a moment and then replied: "We should not be obsessed with minor details." Neither should politics. When a political problem is broken down into micro-elements, this is a guarantee that it will never be solved. In this case a single pier, a single warehouse, or a single petty officer will always be left out of the division of property. That is why the problem should first be solved on the macrolevel by politicians and then be turned over to the actual individuals concerned for resolution on the microlevel. This precept, as we have seen, was applied in Sochi.

The second prerequisite is that the problem must be viewed from the standpoint of possible cooperation rather than confrontation. Then the problem takes on a completely different appearance. Whatever seemed negative earlier suddenly becomes positive. From the old standpoint (of possible confrontation), for example, the short distance between the headquarters of the two sides was clearly negative. From the standpoint of possible cooperation, this is a strong positive factor, because it facilitates the coordination of actions. It seemed negative that the Ukrainian Navy was based in Kamyshovaya Bay and was therefore blocking access to Severnaya Bay. In the presence of possible cooperation, this becomes positive because it creates the possibility of interaction by ships of different classes.

When the presidents followed just these two rules, the problem was solved.

[Korzh] Does Ukraine have enemies?

[Vydrin] I do not even know how to respond.... I think that today, unfortunately, Ukraine has no significant enemies or significant friends.

[Korzh] Why do you say "unfortunately"?

[Vydrin] Because enemies and friends emerge in the presence of clearly defined national interests, which either coincide or conflict with someone else's interests. A vague policy in the ordering of priorities and the pursuit of national interests unfortunately precludes the emergence of strong friends and of powerful adversaries.

[Korzh] Thank you.

National Affairs

Kupin Resignation From CP Examined

954F3074A Moscow LITERATURNAYA GAZETA in Russian 9 Aug 95 No 32, p 2

[Article by Yevgeniy Gnatenko, LITERATURNAYA GAZETA special correspondent: "Will We Disavow the Old World? The First Secretary of the Lugansk Oblast Committee of the Communist Party of Ukraine Puts His Party Card Down on the Table"]

[FBIS Translated Text] Lugansk Oblast is considered to be the most Red-Communist in Ukraine, and even "on the world scale," yielding, perhaps, only to Cuba and North Korea.

Therefore, the announcement by the head of the oblast state administration, Petr Kupin, on his suspending his membership in the Communist Party of Ukraine [KPU] and his voluntary resignation from the post of first secretary of the Lugansk Oblast Committee of the Communist Party of Ukraine came as a bolt from the blue.

A year ago, the Communist Kupin, having come out victorious in the elections with a significant majority, became chairman of the Lugansk Oblast Council. The voters believed the one who promised the most, and the Communists at that time were promising a great deal—beginning with the restoration of the USSR and ending with the extirpation of crime, improvement in the living conditions of the workers, and so on. But a year went by, and the idea of the rehabilitation of the USSR turned into an even greater utopia, the standard of living did not rise, and the production decline continued.

The Communists found two reasons that prevented them from fulfilling their pre-election promises: the opposition of the "democrats" in general and that of the Kiev authorities in particular. At one time the KPU did not stand in the way of the election victory in the Donbass of Ukraine's current president, Leonid Kuchma; they were united at that time by a common interest in getting the nationalist Kravchuk out of the presidential post. But, confronted with the fact that Kuchma decisively continued the policy of market economic reforms, privatization, and the national independence of Ukraine, the Communists in the spring of this year announced that they were going over to open opposition to the president.

When, however, with a view to overcoming the government- parliamentary crisis, the constitutional agreement was concluded between the people's deputies and the president, Leonid Kuchma got the chance to restore the "vertical" of executive power, generally similar to the Russian. That is, in Ukraine the presidential- parliamentary form of government was de facto confirmed. In accordance with this same agreement, the president was supposed to appoint as heads of oblast administrations publicly elected oblast council chairmen.

Petr Kupin was appointed one of the latter. In the opinion of observers, a reason for this was most likely the unique position of Mr.-Comrade Kupin on Ukraine's political stage: the only governor in the republic who was simultaneously the first secretary of an oblast committee of the influential—especially in the eastern part of the republic—Communist Party.

Such manifest political engagement made the position of Petr Kupin as an individual included in the president's "team" somewhat ambiguous. And since Leonid Kuchma could not fail to appoint the publicly elected Petr Kupin, proceeding form the provisions of the above-mentioned constitutional agreement, persistent rumors circulated that soon after the beginning of the work of the former Comrade and current "Mr." Kupin in his new position, he would, under one pretext or another, be removed from it. Considering that this does not contradict the law, since it is the president personally who is now in charge of positions in the system of executive power of Ukraine. Which, incidentally, indeed became an effective instrument in the internal political struggle in the republic.

So it is not inconceivable that Petr Kupin's announcement of the termination of his Communist Party career was the result of bargaining between him and Leonid Kuchma, for whom the "Red Lugansk phenomenon" is, as they say, an eyesore, since it discredits the democratic policy of the Ukrainian president in the eyes of his Western partners.

In general, however it might be there, the reasons for which Petr Kupin decided on his egress from the Communist Party are very serious. After all, not long before this step, in an open letter to his political "antipode," Rukh leader Vyacheslav Chernovol, he was stressing the firmness of his party positions, declaring that he did not intend to become a "traitor" and repudiate his convictions.

Also ambiguous was the reaction of the Lugansk Oblast party organization, to which Comrade Kupin had given the right of final and deciding voice regarding the removal from himself of high party powers. The oblast committee immediately gave its assent to Petr Kupin's resignation. However, the plenum, after stormy debates, gave the right to decide the fate of the oblast's chief party functionary to the rayon and city organizations of the KPU. The dilemma facing the party members was such: either, preserving their loyalty to their principles (which means, to the rank-and-file voters as well), to leave Kupin as oblast committee secretary, which, however, is fraught with the danger of a loss of an important state post, or, formally agreeing to his resignation, to attempt to preserve in this way real power in the region.

How this story will end is still unclear, but in any case, submitting to the party majority, Petr Kupin could preserve his reputation as a firm Leninist. While the compromise that he undertook with the president will allow him, even in the event of his removal from the post of head of the Lugansk Oblast administration, to count on some kind of no less prestigious seat. For instance, the position of ambassador to China, which is a subject of intense discussion in the parliamentary lobbies.

*Minister on Reasons for Resignation

954F3111A Kiev KIYEVSKIYE VEDOMOSTI in Russian 10 Aug 95 p 3

[Interview with Onopenko Vasiliy Vasilyevich, Ukrainian minister of Justice, conducted by Maryana Oleynik, VEDOMOSTI correspondent: "Vasiliy Onopenko: 'Today, I Have Exhausted Myself as a Minister'"; date and place not given]

[FBIS Translated Text] **FROM THE FILES OF VEDOMOSTI: Onopenko Vasiliy Vasilyevich. From 1976, a People's Court judge of a rayon court in Vinnitska Oblast. From November 1991 to August 1995 —Ukrainian minister of Justice. From 1994 — leader of the Human Rights Party. From January 1995 — chairman of the Ukrainian Social-Democrat Party. Candidate in Juridical Sciences. Is writing a doctoral dissertation on the subject, "Pressing Problems of the Codification of Ukrainian Legislation."**

[Oleynik] Vasiliy Vasilyevich, why did you link your decision on retirement (the other day, as we know, the President accepted it) with the events that took place during the funeral of Patriarch Vladimir on 18 July?

[Onopenko] It was the last straw. Throughout the time of my work as minister, beginning in 1991, I tried to do everything to keep something like that from happening in the state. I am forced to declare that this was our second national tragedy, after the Chernobyl catastrophe. It will have serious consequences. In evaluating this drama from the standpoint of a lawyer, I can say that the funeral organizers disrupted public order. On the other hand, though, the police used special means, and according to law, they can do this only in a case of mass disorder: pogroms, arson. But there was none of this! That is, the actions of the law-enforcement agencies were not coincident with the situation. The state showed, not its force, but its weakness.

[Oleynik] How did you find out what happened at Sophia Square? Were you there at the time?

[Onopenko] I was away on business at that time. I returned after these events. That is not even the point, though, the point is the way we approach the solutions to certain specific problems. If our country had carried out judicial-legal reform, which I have repeatedly talked about, I am deeply certain that nothing like this would ever have happened. Unfortunately, however, I am becoming increasingly convinced that no one is interested in carrying out reforms. No one supported me.

[Oleynik] Why?

[Onopenko] No one wants to give up any of his functions. We, the authors of the concept of judicial-legal reform, for example, are proposing that the identity-card offices and identity-card system, which the police now handle, be placed under the jurisdiction of the Ministry of Justice. After all, these questions do not have to be solved by police colonels and generals! How much we could save, how profitable this would be for the state!.... Another thing — the penitentiary system: prisons, colonies, solitary confinement investigation cells, LTP [medical and labor treatment centers for alcoholism]. All over the world these systems, with all their infrastructures, have been taken away from the ministries of Internal Affairs and transferred to the ministries of Justice. I suggested that the same thing be done in our country. This is, after all, one of the conditions for Ukraine's acceptance to the European Council.

We also proposed taking away, so to speak, the investigative functions from the police, procurator's office and Security Service and setting up a unified investigative committee. Naturally, the procurator's office was not greatly pleased with the prospect of losing such important, as they consider, means of influencing somebody in the police.

There are also great problems with setting up a clear-cut, integrated legal system.

[Oleynik] And the courts, by the way, are under the jurisdiction of the Ministry of Justice? Everyone who has come up against them knows what disorder there is there....

[Onopenko] I agree with you. But this is not the fault of the Ministry of Justice. I recall that two or three years ago, they essentially took the courts out of our system. That is, they seemingly remained formally under our jurisdiction, but we could never have any influence over the efficiency of their activity. Just recently it was entered into the Constitutional Agreement that our ministry should solve personnel problems related to the judicial system.

I am now finishing drawing up a draft of the new Civil Code, with a group of scholars. The Ministry of Justice worked out the concept of the legal formation. It must be carried out right now. Who will do this? I am sure that everything will be broken up. It may also be bad that the minister himself worked on the draft laws, but these are most important draft laws. During my period of work in the ministry, I gave reports on over 200 draft laws at meetings of parliament alone.

[Oleynik] What was their fate?

[Onopenko] It varied. Virtually all the amendments to the various codes passed, however. I tell you that if I had the time, with a group of specialists I could draw up an excellent draft of Ukraine's constitution.

There have been no economic reforms in our country for several years now. Legal reforms could have been implemented, however, with the support of the government and the President.

[Oleynik] You have retired — does that mean that you have ceased to believe in this?

[Onopenko] I did not sense the support of the President. I even wrote about this in a statement addressed to him. Do you mean, have I broken? No. Not as a person nor as a minister. I simply felt that there was a wall which could not be broken through. One has to go around it. Today, I have exhausted myself as a minister.

[Oleynik] The process of forming a new Cabinet was prolonged and not painless. You probably felt that you would not be enrolled on the staff of the new government?

[Onopenko] They created a certain atmosphere around me. There were people interested in this, there were, so to speak, "orders." This did not surprise me, I realized that in seriously devoting myself to political activity, there would be everything — mud-slinging, etc. They even began to circulate the subject of the UNA [Ukrainian National Assembly] and the UNSO [Ukrainian National Self-Defense Forces]: Why, they said, did I register them. Incidentally, we did not register the UNSO, only the UNA. After all, neither the procurator's office, nor the police nor the Security Service submitted any data which would be grounds for refusing it registration.

For several months I have not once been able to meet with the President. I realize that the whole thing may lie in his "circle," which carefully filters access to the head of the state. If only the minister of Justice had a direct telephone line to the President! There is none.... Look, in a situation like that near Sophia Square — well who, if not the minister of Justice, should give clear-cut explanations and inform the President? Why did he give his own evaluation of what happened, two weeks later, when he had nothing better to do? They are propping him up, seriously propping him up....

I was and remain a supporter of the President. If he will implement reforms, I am ready to work with him. But on this team, in this situation — I do not want to.

[Oleynik] Are you planning, in the future, to aspire anew to any seat in the government, to become a people's deputy, etc.?

[Onopenko] I do not rule out this possibility. My colleagues are proposing that I be a candidate for the Supreme Soviet, and that after that I create a Social Democrat faction there. Since I realize how much parliament needs this. I will work where I can realize my own potentials and experience.

*Deputies Assess Parliamentary Session

954F2872A Kiev GOLOS UKRAINY in Russian 15 Jul 95 p 3

[Unattributed article: "The Latest Parliamentary Marathon Is Over. New Races Lie Ahead"]

[FBIS Translated Text] **How would you assess the results of the third session? This is the question we asked commission chairmen, faction leaders, and people's deputies of Ukraine.**

We Protected the People As Much As We Could

Yuriy Buzduhan, chairman of Standing Commission on Social Policy and Labor Issues:

I would like to give our commission and the whole Supreme Council credit for the consistent defense of the people's interests, especially the interests of the poor, which resulted in the passage of several significant documents in defense of the population and the removal of the earlier government.

The commission feels that another great victory was our ability to pass the Law on Wages, in spite of the fierce resistance of the government and the compromises we had to accept. We also made definite progress in the defense of consumer rights.

There were many areas in which we failed, however.

Last year 39 percent of the state budget was earmarked for the social sphere. The figure in this year's budget is 38 percent, and the figure next year, according to the budget resolution, will be only 35 percent, contrary to the slogans implying the stronger social emphasis in the budget.

I feel that our main failure during the discussion of the budget was the approval of the budget, in spite of our objections, before we had set any precise coverage aims.

Pension security has been on the decline, especially after Zvyahilskyy claimed the pension fund for the state budget. Until that time the average pension was equivalent to 61 percent of the average wage, but now the figure is only 27 percent. One of the reasons is the failure of enterprises to contribute to the pension fund. In spite of our commission's objections, the Supreme Council is forgiving the enterprises' debts at the request of the government. Today many enterprises are not contributing anything to the fund. Another reason is that pension funds are not being used for their designated purpose. I ask you, how can we increase pensions under these conditions?

Our third failure, although I admit that the reasons date back to the last session, was connected with our tax policy, as a result of which taxes were levied on everyone, including the disabled, depriving them of their benefits. If we do not take measures without delay, we will lose the important contribution they make. Our repeated attempts to correct the situation have not produced any encouraging results.

Finally, our latest failure was connected with the supplementary utility payments—for gas, electricity, etc. The fees for public utilities and housing exceed the average wage. Our commission was powerless in this area as well, and we lost even the theoretical possibility of influencing the situation after the Constitutional Treaty was concluded.

The Ice Is Melting

Oleg Taranov, chairman of Commission on Economic Policy and National Economic Administration:

Summing up the results of the third session, I cannot say I am satisfied with the number of economic laws that were passed, but I can say that the ice is starting to melt, because 17 of the laws our commission drafted were passed. A comparable number—I would have difficulty coming up with the exact figure—were drafted by the Commission on Financial Affairs and Banking Operations. These were laws on various aspects of privatization, leasing, financial-industrial groups, the securities market, etc.

In other words, I can say that a group of interrelated economic laws was drafted and passed in spite of all the tumult over political issues. This means that the legislative backing of economic reform in Ukraine is progressing at the necessary speed.

Sergey Sobolev, coordinator of "Reform" deputy group:

I would like to remind the readers that the enterprise profit tax went into force in 1995. The bill ran into several problems, but it was finally passed, and statutes on its enactment were drafted, largely as a result of the position that was taken by many members of our group who work on the Commission on Financial Affairs and Banking Operations and as a result of the stance of parliament as a whole. This legislative bill, one of our first tax laws, was the target of considerable criticism but was difficult to repudiate.

Another matter of fundamental importance was the state budget. Although its execution entailed some difficulties at first, and although it is also marked by several shortcomings, it is one of the most realistic budgets of recent years.

Another fundamental concern was the fight that broke out first over the presidential edict on financial-industrial groups and then over the corresponding legislative bill. The deputies finally realized that these groups cannot be established simply for the sake of eligibility for the latest array of privileges; they must function as organizations uniting financial and industrial capital.

Another set of bills warranting special mention is the group of laws regulating the securities market and privatization processes. It is important that, in contrast to the first and second sessions, where the termination of privatization processes was proposed, ideas which will do much to accelerate property reform are now being implemented.

If I had to evaluate the session as a whole, however, I would have to admit that it was a turning point, in the sense that it established the foundations or prerequisites for advancement. There were votes on the most significant issues. Even if the president uses his veto power and if the second draft turns out to be an essentially different bill, parliament has declared that there must be no enterprises with tax privileges in this state, and that is why it has been impossible to collect taxes, attain budget objectives, and protect our own producers. I feel that this is a significant victory for pro-reform forces.

The Prelude Is Over, and the Drama Is About To Begin

Vladislav Nosov, member of Commission on Budget Affairs:

A performance evaluation of the third session in the political sphere would have to include a positive assessment of our ability to pass legislative bills to keep the peace in our country and avoid overt armed resistance on the regional level (I am referring to Crimea) and conflicts between government agencies.

In many other areas, however, my evaluation would be negative.

I am disturbed by the adoption of the Constitutional Treaty, which will effectively replace the existing Constitution and which was enacted in an unconstitutional manner. From the very beginning I opposed this method of passing the Law on Governmental Authority and insisted on additions and amendments to the existing Constitution, so that we could live and work exclusively by the law.

Now this Constitutional Treaty and the Law on Governmental Authority have effectively stripped the Supreme Council of its authority to oversee the actions of the government. This is their most insidious feature. Besides this, there is an implicit intention to undermine the work of the Supreme Council by vetoing the laws passed by our parliament. Overriding a veto will now require a two-thirds majority, and this will never happen. All of this will simply disrupt the work of the legislative body and create opportunities to blame it for everything imaginable.

The procedure for the appointment of judges to the Constitutional Court in accordance with this unconstitutional treaty is also flawed. The Constitution stipulates that the president of Ukraine will nominate candidates and the Supreme Council will confirm the appointments. This is how it should be done. The treaty, however, specifies a different method. If our Constitutional Court is based on unconstitutional principles, how will it issue rulings? I have to admit the possibility of the shrewd stratagem that a Constitutional Court appointed in this manner will be associated wholly with a man who has not been elected legally either, and that it will be forced to defend the Constitutional Treaty. This, however, is not lawful behavior, and that is precisely why I have to acknowledge my distressing realization that Ukraine has never had a legal state government, it does not have one now, and I do not know when it will have one, because a real government should be distinguished by self-regulation and self-discipline, primarily in the legal sphere. If the highest authority, the Supreme Council, and the head of the executive branch of government can treat the Constitution in this way, we cannot expect anything positive.

I am certain that after the president has been endowed with these rights and powers, there will be constant delays and postponements in the adoption of a new Constitution. I have already heard rumors about a new surprise, although it is not that unexpected: The present Law on Governmental Authority will be inserted in the text of the new Constitution, and then we will have an indisputably dictatorial regime.

As we have seen, one constitutional violation always leads to others.... If the president takes the liberty of going against the Basic Law, then others can do this as well. The lack of restrictions on the authority of officials is the worst and most frightening development in Ukraine today. I have said it before, and I will say it again: The prelude is over, and the drama is about to begin.

When Violations Become the Norm

Petr Sheyko, chairman of Commission on Rules, Deputy Ethics, and Deputy Support:

According to the logical patterns of human behavior, the third session of the Supreme Council of Ukraine should have done its work more precisely and more effectively and with fewer interruptions than, for example, the second or the first. In fact, however, it was a clear case of regression, and violations of the rules of parliamentary procedure have already become the norm. The discussion of the Procuracy General at the plenary meeting was a good example of this. On that day the session hall turned into a circus, so to speak, and that was not the first time this had happened. What is the reason for all of this? Above all, it happens when the rules of parliamentary procedure are ignored. As a result, deputies who disagree with the chairperson are likely to take over the rostrum without asking for the floor, or to occupy it, in a manner of speaking. I do not condone this behavior by the people's representatives, of course, but how else can they be assured of a chance to state their opinions?!

The second thing that interferes with the work is the low level of deputy participation. Although we check the rolls each week to learn which deputies have been absent and how many meetings they have missed, and we then address our concerns to commission chairmen, the extent of our influence is limited by the rules of parliamentary procedure. Besides this, more than 80 deputies are still spending most of their time at other jobs, even though they signed a pledge to give up these jobs when they agreed to run for office.

As far as working conditions are concerned, they are getting better for the members of parliament who actually want to work.

In general, if the next session performs in the same way as the third, we will not accomplish much, and we will have to choose between doing productive work or giving up our seats to someone else.

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*Crimea Parliamentary Activity Viewed

954F3006A Simferopol KRYMSKAYA PRAVDA in Russian 5 Aug 95 p 1

[O. Shakhnyuk report: "Reflections in the Parliamentary Recess"]

[FBIS Translated Text] So the Supreme Council of Crimea has taken a break in its work, which will last until 4 September. The deputies will, I believe, in their so-called parliamentary recess think over past days, drawing the necessary conclusions for the future. After all, it is no secret that the tumultuous activity of our members of parliament throughout the past 18 months (the silhouette of the Crimean Parliament building has in this time become familiar to the television audience of the whole of the CIS!), despite its outward effects, was by no means efficient.

The deputies generously squandered their intellectual powers and energy on verbal battles with one another, a variety of antagonistic coalitions emerged here like mushrooms after the rain and immediately disintegrated, and there were spontaneous squeaky-voiced attacks on the executive, which usually culminated in yet another painful slap at the image of the supreme legislative body of Crimea, which had by mid-spring been deprived practically of real power.

But the main problem was that the symbolic cart of reforms, without which the Crimean economy cannot now endure, has practically remained at that same "point zero" which it was at 18 months ago, when the present corps of deputies, promising their constituents all possible benefits, marched in triumph to their longed-for Areopagus of power.

In this situation the July change of parliamentary leadership was a logical and natural business. And to adopt the law on the republic budget and the privatization program the new authorities needed a little more than one week, what is more, whereas the former leadership had been unable to accomplish these goals since the start of the year. Though I would not want here to link the long-awaited breakthrough on the legislative front only with the accession to the parliamentary helm of new forces. There is no less significance, perhaps, in the fact that the majority of deputies have clearly had enough of the political Napoleon-mania and are now attuned to matters which, even though outwardly unspectacular, are specific and tangible. They are sick of running idle, and this says it all!.

The results of the consideration this week of the question concerning the three March decrees of the Supreme Council on the Government of Crimea were confirmation of what has been said. It was those decrees, according to which parliament dismissed the head of the government, which were the detonator of highly undesirable political processes, as a result of which Crimea was deprived of many attributes of its autonomy. It is now necessary to pick up bit by bit the smashed pitcher of Crimean power. And for this its legislature and executive need, at a minimum, to extend to one another the hand of reconciliation.

Let's say plainly, the Supreme Council of Crimea adopted a difficult decision last Wednesday. By a majority of 59 votes the decrees on the dismissal of Anatoliy Franchuk and Andrey Senchenko were canceled, and real prerequisites were thereby created for the restoration of parliament's former jurisdiction over the Government of Crimea. Simply put, prerequisites for power in Crimea to be normal power, not a phantom, such as we had been accustomed to beholding as of late.

Paraphrasing the celebrated fable, it may be said that we have sung away a glorious summer, and now is the time to get down to real work on fitting out the Crimean home.

Economic Issues

Minister Views Crimea Budget, Economy

954F2964A Simferopol KRYMSKAYA GAZETA in Russian 1 Aug 95 pp 1-2

[Interview with Vilord Apananskiy, minister of finance of Crimea, recorded by S. Genin; place and date not given: "There Is Still a Way Out of the Impasse, But It Lies in a Reasonable Approach to Reforming the Economy"]

[FBIS Translated Text] The "peak of the summer" traditionally makes the word "budget" a popular one. The budget is being discussed in the structures of power of Russia and Ukraine. In our republic discussions on this subject are also fairly heated. Thus when reporting on the fact that the Crimean budget deficit for the current year is 9.2884 trillion karbovantsy, one of the largest newspapers wrote: "The long-suffering budget of Crimea, cut and re- cut, reminds one of a gypsy's patchwork quilt. But these monetary rags, distributed among the spheres of production and social segments of the population, not only do not cover the real needs, but do not even cover the gaping holes. As they say, 'We have reached the poverty line.'"

The language of emotions is undoubtedly an exciting thing for public awareness. But we preferred to go for information on the condition of the Crimean budget to a person who knows this problem in greater detail than anyone else—the minister of finance of Crimea, Vilord Fridrikhovich Apananskiy, who has appeared on the pages of our newspaper many times.

[Genin] Vilord Fridrikhovich, at the session of the Supreme Council of Crimea there was a report to the effect that the initial version of this year's budget was drawn up with the cost side exceeding the revenue side by only 1.2 trillion karbovantsy. Now it has increased almost 10-fold. Is this why there is a need for such sharp adjustments?

[Apananskiy] In order to gain a deeper understanding of the essence of the problem it is necessary to look at it in the context of all the economic life of recent years. Then the tendencies taking form in Crimea's finances will stand out in greater relief. But let us just compare this year and last year.

For example, here is how the 1994 budget was executed. At that time 8.1 trillion karbovantsy in revenues had been placed in the republic budget, which was 120 percent of the planned amount. And this was in a situation where, because of the interruptions in the operation of the wineries during the first quarter of 1994, the collection of excise taxes was short by 81.3 billion karbovantsy and the projected calculations of revenues from income tax on citizens were not justified. Instead of 822.5 billion karbovantsy, only 447 billion karbovantsy, or 54.3 percent, was received. I think the reasons are known to more than just financial workers. They include retardation at the state level of the amount of the minimum wage and the exclusion from taxable income of the cost of in-kind payments for agricultural workers in lieu of wages, whose proportion is increasing.

It is also necessary to add to the Crimean treasury the 812.9 billion karbovantsy which the republic budget received from the state budget of Ukraine for mutual settlements that were used for financing programs for stabilization of the economy of Crimea, capital investments, rendering of aid to agricultural enterprises that suffered from the drought, reimbursement of the costs of completing construction of social, cultural, and domestic facilities in rural areas, and payment of one-time assistance to participants in the Great Patriotic War.

Additionally, under the conditions of the continuing production recession, the inflationary growth of prices, and the nonpayment crisis in the national economy, measures were taken aimed at finding additional budget revenues in order to encourage producers of tax- intensive products. Thus a profit tax was introduced to replace the income tax at a rate of 30 percent for enterprises and organizations with all forms of ownership, which prevents double taxation. Taxation was introduced for incomes of citizens engaged in entrepreneurial activity without the creation of a legal entity at fixed rates in the form of a patent fee. A considerable simplification of the procedure for taxation and reduction of tax pressure contributed to legalizing incomes and increasing the mass of taxes. While during five months of 1994 with the previously existing system of taxation revenues from entrepreneurial activity amounted to 5.2 billion karbovantsy, after the introduction of patent taxation they increased almost eightfold. Let me add that for productions that are vitally important to the republic, various forms of financial support were used for enterprises and organizations. Crimeans will obviously be interested in knowing that in order to accelerate the sale of accumulated stocks of finished products, for seven enterprises of Crimea (the AO [joint-stock company] KrymavtokGAZservis, AO Krym-Lada, AO Zavod Fiolent, AO Foton, a special-purpose committee of Krym-UAZ, AO Anna, and the SELMA firm), temporarily, as an experiment, value added tax rates and excise fees were reduced under the condition that the amount of payments into the budget be retained at the same level through increasing the volume of products and services sold. This made it possible to stabilize the financial position of the enterprises and bring an additional 72 billion karbovantsy into the budget.

Other effective measures were also taken to supplement the budget. Thus the construction of a line for bottling wine products at the Koktebel sovkhoz-plant is being carried out with tax credit on the excise tax. The introduction of the line should produce a significant addition to the budget. In order to support and develop tax-intensive productions, repayable loans have been introduced to augment working capital in an amount of 12 billion karbovantsy for the Azov liquor and spirits plant, which made it possible to increase excise revenues into the budget 13-fold.

Measures for stimulating commodity production turned out to be timely as well. In certain cases the enterprises were granted deferments on payments into the budget. For example, the Feodosiya machine plant and the More production association, in order to release funds for purchasing fuel for heating and hot water supply for the departmental housing supply and the Titan IPO [unidentified] for providing for commissioning the Titan-1 plant.

In order to stabilize the financial condition, loans were granted from the republic budget to the AO Anna—8 billion karbovantsy; the AO Zavod Fiolent—7 billion karbovantsy; the Simferopol Prosthetic- Orthopedic enterprise in order to provide orthopedic footwear for disabled individuals—2 billion karbovantsy; the Dzhankoy cannery— 3.6 billion karbovantsy; and the cannery imeni Kirov—4.3 billion karbovantsy.

It is no secret to anyone that the execution of the budget with respect to expenditures last year was carried out under conditions of extremely limited financial resources with the growth of budget expenditures being greater because of the continuing development of inflationary processes. Therefore work was concentrated on implementing a moderately strict financial policy and allocations were granted only for immediate needs, which made it possible to fully finance practically all the protected budget items.

Thus the overall total of expenditures in the republic budget during 1994 amounted to 6.9 trillion karbovantsy, and taking into account loans issued to city and rayon executive committees—8.6 trillion karbovantsy.

The measures taken to strengthen the budget revenue base have made it possible to make additional expenditures. Let me remind Crimeans of specific spheres of allocations.

In order to provide for functioning of institutions of the social-cultural sphere under the conditions of higher prices and rates, at the end of 1994 a possibility was found for increasing allocations envisioned in the budget by 347.1 billion karbovantsy. More than 11 billion karbovantsy was used to improve the health of orphans and children left without parental care and also the acquisition of New Year's gifts for them. In order to conduct antiepidemic measures made necessary by the outbreak of cholera, it was necessary to spend 50 billion karbovantsy. For the purchase of detergents in connection with the outbreak of cholera, trade enterprises of the republic were granted loans in an amount of 8 billion karbovantsy. In order to acquire important medicines a loan was granted to the Farmatsiya association in the amount of 5 billion karbovantsy. For the 1994-1995 school year in order to purchase school supplies the AO Krymkulttovary and Krympotrebsoyuz were allotted loans in the amount of 4.5 billion karbovantsy.

For example, it is stated in the press that it is difficult to divide up crumbs knowing that they will not save you from poverty. It is terrible to leave the elderly and children without assistance, those who are ill—without medicines, and the underprivileged— without subsidies. No, the budget is not made of rubber, but nonetheless social protection of the population must not be left without attention.

Last year 1.9 trillion karbovantsy was spent from the republic budget for social protection of the population. Additional measures were adopted for maintaining the standard of living for low-income population. Because of the growth of prices during November-December 1994 money was found in the republic budget to increase the amount of the subsidy for bread and to expand the group of its recipients. This made it possible for pensioners and recipients of state stipends for children with an average monthly total income per one family member of up to 240,000 karbovantsy to receive bread completely free of charge and within the limits of the biological norm, and with incomes up to 780,000 karbovantsy—at 40 percent of the cost, and with incomes up to 1 million karbovantsy—at 60 percent of the cost of the bread.

In December 1994 every person disabled in the Great Patriotic War was granted material aid in the amount of 300,000 karbovantsy. Effective 1 December of last year a subsidy was introduced for milk for pensioners and recipients of stipends for children.

Because of the establishment for the population of preferential rates for heating supply and for the acquisition of fuel, the AO Krymteplokommunergo in 1994 was allotted 516 billion karbovantsy, which was 259 billion karbovantsy more than was envisioned according to the budget. Additionally, the association was granted preferential credit for purchasing liquid fuel in an amount of 120 billion karbovantsy. A positive solution to the problem of heating during the winter period of the village of Primorskiy required that an additional 32 billion karbovantsy be spent.

Another form of social protection of the population is budget support for transportation enterprises. Thus 482.1 billion karbovantsy was allotted for reducing the cost of travel on urban and suburban transportation for the TPO [Transport Production Association] Krymavtotrans and the Crimean trolley bus administration. Additionally, in order to update the rolling stock and provide for its repair an additional 12 billion karbovantsy was allotted. In order to provide for the regular operation of automotive transportation the TPO Krymavtotrans was allotted an additional 35 billion karbovantsy in December of 1994 for purchasing 1,250 tonnes of gasoline. In order to provide drinking water for the cities of Alushta, Yalta, and Simferopol, its delivery from other regions of Crimea was organized and funds in the amount of 55 billion karbovantsy were allotted. In order to reduce the cost of coal for the population during 1994 the Krymtopolivo association was granted 319.7 billion karbovantsy. The Krymnefteprodukt administration was allotted 100 billion karbovantsy to cover losses from the sale of furnace fuel and kerosene to the population at preferential prices. This made it possible to provide liquid fuel for more than 40 percent of all consumers.

The ministry's efforts have been directed not only at mobilizing internal sources of financing. A large amount of work has been done in order to obtain the lacking funds from the state budget of Ukraine. By Decree No. 819 of the Cabinet of Ministers of Ukraine of 10 December 1994 a considerable sum was allotted from the state budget. From these funds 300 billion karbovantsy was spent on the construction of a water line from Vilinskiy to Zagorodskiy, which made it possible to lay 11.2 kilometers of pipes and prepare the Vilino-Bakhchisaray branch of the water line for operation and thus remove the strain on the delivery of water to Yalta. Some 12.4 billion karbovantsy was allotted for the construction of a complex of facilities for temporary water supply for the city of Alushta and also for a coffer dam which provides for delivering water to the city from the source at DzhurDzhur. This stabilized the water supply in the eastern part of the city of Alushta and increased the daily delivery of water by 3,000-4,000 cubic meters.

Among the priorities in solving the most important national economic problems, highest on the list is the creation of conditions necessary for stable operation of the branches of the agro- industrial complex. (Expenditures in 1994 amounted to 447.4 billion karbovantsy.) A large amount of work was done to render assistance to agricultural enterprises. Additional payments were made to farms for milk and meat sold to state resources for an overall total of 204 billion karbovantsy. Some 237 billion karbovantsy was spent on acquiring feed, fuel and lubricants, and mineral fertilizers. In order to provide for irrigation of land and to extend the delivery of drinking water for the population, the State Committee on Water Management was given financing for 412.5 billion karbovantsy, including in December 1994 when an additional 160 billion karbovantsy was allotted.

What else can be added concerning aid to rural areas? In order to render nonreimbursable aid to 40 kolkhozes and sovkhozes that suffered from the drought, we spent 200 billion karbovantsy received from the State Budget of Ukraine and 6.8 billion from the government reserve fund. And 80 billion karbovantsy was allotted from the State Budget of Ukraine for reimbursement to kolkhozes and sovkhozes for costs of constructing facilities of the sociocultural sphere in 1994. From the government reserve fund 2.4 billion karbovantsy were spent on work for soil evaluation.

In order to provide budget-financed institutions and the population with vegetables, potatoes, and other products, preferential loans were granted from the republic budget. In order for Crimeans to have a clear idea of where this money went, I will be specific: 105 billion karbovantsy to the agro-industrial combine Krym and Krympotrebsoyez, which made it possible to acquire 4,000 tonnes of potatoes and 6,600 tonnes of cabbage, carrots, onions, and other vegetables; 50 billion karbovantsy to the planning-economics department of the elevator and grain processing industry for purchasing 17,000 tonnes of food grain for producing flour and cereal items for the population; 4.5 billion karbovantsy to the Krymryba enterprise for purchasing fish products; 17 billion karbovantsy to the meat and dairy trading organizations for acquiring margarine; 20 billion karbovantsy to trade enterprises for acquiring sugar; 50 billion karbovantsy to the Krymmoloko enterprise for purchasing powdered milk.

As you can see, all the funds that were allotted are working for the good of Crimeans.

Now about execution of the budget of Crimea during the first half of 1995. During this period the economic situation in Crimea continued to get worse under the influence of inflationary processes, the crisis of nonpayments among enterprises, and the reduction of the buying power of the majority of segments of the population. The volume of production of industrial output as compared to the corresponding period of last year decreased by 23 percent, the production of consumer goods—by 29.4 percent, including foodstuffs—by 22.3 percent, and nonfoodstuffs—by 50.8 percent. The sale to the state of certain types of agricultural products decreased by 40-50 percent as compared to the first half of last year.

The economic recession is occurring largely under the influence of prices of energy sources. In June of last year prices of natural gas increased 17.3-fold as compared to June 1994, compressed gas— 3.1-fold, diesel fuel and gasoline—more than fivefold, and fuel oil and other oil—sevenfold.

Analysis shows that Crimea's economy is not reproducing, its structure is deteriorating, it is overloaded with energy- and material-intensive productions, the coefficient of updating of fixed capital decreases annually by a factor of 1.5 to two because of the lack of correspondence between its real and its actual value and the considerable undercalculation of volumes of amounts of amortization deductions and its failure to perform its functions.

Undoubtedly tendencies in monetary circulation are negative because of this: There are constant delays in the payment of wages, pensions, and stipends. The growth of accounts receivable and accounts payable to Ukrainian suppliers (during the period from January through June) has tripled. All this leads to paralysis of the economy.

Unfortunately, there have been no positive changes in the development of privatization processes since not a single one of the 454 facilities subject to privatization this year has been privatized, as a result of which budget losses exceeded 1.9 trillion karbovantsy.

As usual, entrepreneurship is in the stage of getting started, and only a little more than half of the registered cooperatives and small enterprises are conducting business activity, accounting for little more than one-fourth of production of the gross product of the national economy of Crimea. From what has been presented above, one can see that entrepreneurship has not become our basic force for restructuring the entire system of economic relations.

Actually, during the six months the situation with respect to provision of the income base of the budget of Crimea is as follows. The budgets of all levels received 16.8 trillion karbovantsy in revenues, as against the 24.9 trillion karbovantsy projected for the first half year, or 67.5 percent, and the difference amounted to 8.1 trillion karbovantsy. Moreover, in Ukraine as a whole the level of provision of the revenue side of the budget is higher than in Crimea by 6-7 percent.

For a number of revenue sources Crimea has reduced the volumes of receipts into the budget as compared to Ukraine. With respect to payments from profits: The proportion of the tax on profit of banks and insurance companies has decreased by more than half, and in the second place the proportion of profit tax of organizations under state jurisdiction has decreased by 5.8 percent; with respect to the sale of liquor and vodka items and the receipt of the excise fee, Crimea falls behind Lvov, Cherkassy, Ivano-Frankov, and Poltava Oblasts, where the proportion of incoming population is considerably lower, and with respect to the wine industry—Donetsk Oblast; the excise tax on beer has decreased so much that Donetsk Oblast receives more revenues than Crimea by a factor of 2.8, Zaporozhye— by a factor of 2.1, and Kharkov—by a factor of 1.8; the excise tax on television sets, tape recorders, and video equipment is lower than the revenues in Kharkov Oblast by a factor of six, and Lvov—by a factor of 4.1.

The income tax on incomes of kolkhoz workers in Crimea holds second place from the bottom. Thus Vinnitsa, Khmelnitsy, and Rovno Oblasts receive revenues of from 20 to 22 billion karbovantsy, and Crimea—only 16 million karbovantsy. Privatization is lagging behind: Ukraine has received 970 billion karbovantsy, and Crimea—1 billion karbovantsy, and that was only for Yalta.

Everything I have mentioned has been conditioned largely by the fact that the revenue side of the republic budget was fulfilled by 69.9 percent during the first half year.

The following can be said about the structure of the receipt of the main types of revenues by the budget system of Crimea. Profit tax was received in an amount of 4.5 trillion karbovantsy instead of the 7.7 trillion karbovantsy that was calculated, that is, 58.4 percent of the norm, and the greatest underfulfillment of this indicator was for banking and insurance organizations—24 percent of the projected sum for the half year, and public organizations and concert and entertainment acts—34 and 6 percent, respectively.

With an overall growth of profit for the indicated period by a factor of more than five (mainly as a result of price factors), 451 enterprises, or one-third of them, sustained losses amounting to 1.2 trillion karbovantsy.

The greatest number of these enterprises are in the housing and municipal branches—35 percent, branches that serve agriculture—33 percent, and trade, banking, and insurance organizations—28 percent. One-fourth of the construction organizations are operating at a loss. As compared to the corresponding period of last year the level of profitability of branches of the economy dropped from 22 to 16 percent, including in industry—7 percent, and construction—14 percent. Branches of the timber industry, consumer services, and a number of banks and insurance organizations operated at a loss.

It should be noted that the councils of people's deputies do not take full advantage of the rights granted to them for introducing local taxes and fees. Thus the Simferopol City Council rejected proposals to introduce five types of local taxes, the Karch and Saki City Councils—two, and the Feodosiya—one.

Up to the present time in the cities of Krasnoperekopsk and Sudak and in Nizhnegorskiy Rayon the most intensive of these, the municipal tax, has not been introduced. The health resort city of Yalta loses significant income because of the failure to introduce a hotel fee. Revenues to local budgets are half the average republic indicators and less in the cities of Yalta, Feodosiya, Dzhankoy, Saki, Sudak, Krasnoperekopsk, and Sakskiy and Chernomorskiy Rayons. At the same time, as compared to May-June of last year the collection of taxes has deteriorated significantly because of the tardy revision of tax rates. According to calculations, the receipt of local taxes during May-June should have amounted to 53.4 billion karbovantsy, while actually only 41.4 billion karbovantsy was paid, with an under-collection of 22.5 percent or 12.0 billion karbovantsy. The most unfavorable situation exists in the cities of Dzhankoy, Kransoperekopsk, Saki, Sudak, and Sakskiy and Krasnoperekopskiy Rayons, where receipts increased by only 10 percent as compared to last year and losses amounted to more than 11 billion karbovantsy. In Feodosiya, Armyansk, and Bakhchisarayaskiy, Dzhankoyskiy, and Sovetskiy Rayons from 40 to 80 percent of the payments due were not received. The situation is similar in state customs, where revenues only doubled during May-June. With respect to the tax on owners of means of transportation. in only five regions did the receipts correspond to the calculated norms during May-June.

The budget is sustaining significant losses because of the underpayment of the majority of types of taxes and the violation of payment discipline by the enterprises. As of 1 July 1995 1,855 enterprises or 5 percent of the overall number of taxpayers had arrears in payments into the budget, for a total of 576.4 billion karbovantsy. During the past month they decreased by 7.9 billion karbovantsy, but in June the budget of Crimea failed to receive 15 percent of its revenues for this reason. The indebtedness of the enterprises for payments for land increased fourfold and amounted to 144.3 billion karbovantsy. More than one-third of the overall sum of the arrears or 196.9 billion karbovantsy were for the value added tax, and 194 billion karbovantsy were for the profit tax.

In the majority of cases the reasons for the arrears, as the results of an analysis of the financial condition of the enterprises showed, were the crisis in settlements in the national economy. Accounts receivable at enterprises that were in arrears amounted to 252.7 billion karbovantsy. Because of the inadequacy of financing, the budget failed to receive 36.1 billion karbovantsy.

One of the significant reasons for the constant indebtedness of enterprises to the budget is extensive utilization of barter operations, which are typical both of industry and of agricultural enterprises, which exchange products they produce themselves for material-technical resources and commodity-material assets on the territory of Ukraine. Thus for this reason arrears in the value added tax at the Dzhankoy cannery amounted to 4.852 billion karbovantsy. And of the 37.5 billion karbovantsy in accounts receivable, 80 percent was for indebtedness on barter operations.

Such a situation with respect to utilization of the monetary side of the budget cannot be fully attributed to objective factors. To a considerable degree it is linked to shortcomings in the organization of monitoring work on the part of supervisory organs: the tax inspectorate, the control-auditing service, the administration for fighting criminal concealment of income from taxation, and the lack of coordination of their activity, as a result of which the collection of taxes is not improving.

Under the conditions of the extremely critical shortage of revenues for financing immediate expenses of budget institutions, every second local council of people's deputies has granted certain taxpayers individual tax benefits, and as a result local budgets have failed to receive more than 13.8 billion karbovantsy in revenues, including Belogorodskiy Rayon—4.2 billion karbovantsy, Kiyevskiy Rayon in Simferopol—3.3 billion karbovantsy, Dzhankoy— 1.9 billion karbovantsy, Alushta—1.7 billion karbovantsy, Yalta— 1.9 billion karbovantsy, and Bakhchisarayskiy Rayon—1.2 billion karbovantsy.

The problem of sorting out and regulating barter operations on both the foreign and domestic markets of the republic is critical, since commodity exchange rates take production enterprises out of circulation, narrow the tax base, and contribute to reducing guaranteed budget revenues.

The proportion of barter in the overall volume of foreign trade of Crimea is 52 percent, and there is a considerable imbalance in commodity exchange operations—exports exceed imports by 4.8 million dollars or more than 600 billion karbovantsy, which has a negative effect on the solvency of the enterprises. Thus in May of last year alone because of the lack of funds in the accounts of the enterprises resulting from barter transactions, arrears on payments into the budget amounted to 151 billion karbovantsy, or 25.9 percent of the overall sum of indebtedness on tax revenues.

Additionally, the solution to the problem of turning away from the use of barter is related also to the ineffectiveness of these operations, that is, the completion of foreign economic transactions at a loss. Thus, for example, the Novaya Zhizn Kolkhoz in Sovetskiy Rayon under a barter agreement with a firm from Russia in 1994 delivered canned fruits and vegetables at prices four times lower than the production cost. The goods to pay for these (spare parts for tractors) were not delivered by the Russian side until nine months after they were dispatched and not in the full amount. Losses from this operation amounted to 70.1 million karbovantsy.

At the Dzhankoy machine-building plant, tractor-trailers are being exported at prices below those of the domestic market. Thus according to one of the contracts, tractor-trailers were exported at a price of $750, while the production price was $828 and the price on the domestic market was $1,035, or 137 million karbovantsy. The earnings lost by the enterprise amounted to 3.2 billion karbovantsy and losses to the budget—0.2 billion karbovantsy.

We prepared an appeal to the president of Ukraine on behalf of the Government of Crimea requesting the introduction in our republic by way of an experiment of attacks on barter (commodity exchange) operations, which would make it possible to supplement the revenue side of the republic budget, to increase the effectiveness of exports, and to protect the republic's domestic market from imports of products analogues of which are produced by Crimean commodity producers.

An extremely difficult situation prevails at many enterprises that are oriented toward the output of consumer goods. Not all of them can compete with imported goods which have flooded our market, not only because of their relatively high quality (many of our goods are much worse) but also their relatively low prices as compared to analogous goods produced by our commodity producers.

Thus, for example, in spite of our own production in 1994 Crimea imported alcoholic beverages amounting to $115,000, confectionery items—$355,000, and canned fruits and vegetables—$112,000. The tendency toward an increase in the proportion of imported canned goods, beverages, and confectionery items contributes to a crowding out of the republic domestic market of products manufactured by commodity producers of Crimea, which ultimately leads to a decline of production, deterioration of the financial condition of the enterprises and, as a result, reduced payments into the budget. In our opinion this process, that is, protection of the domestic market and our commodity producers from imports of analogous products, is possible through introducing a tax on imports, not on all kinds of goods but on noncritical imports.

Additionally, in the stage of the formation of market relations in Ukraine it is necessary to conduct work for improving the quality of export contracts concluded by agents of foreign economic activity, since the failure on the part of foreign firms to fulfill their commitments for settlements for goods delivered and also the weak monitoring of the observance of payment deadlines on the part of our exporters and the impossibility of applying fines to the foreign partner for failure to fulfill contractual conditions, and, in a number of cases, the unintelligent signing of contracts leads to the removal of working capital from the enterprises for a considerable period of time and to their insolvency. According to the results of operations during the first quarter, nonpayments for exported products amounted to $10,162,000.

All this shows that for purposes of conducting the state information policy there is an essential need for a system for coordinating the work of the tax service, customs and statistical organs, branch ministries, and state committees with regard to information interaction. Let me note that the Ministry of Finance of Crimea has already raised the question of the need to coordinate the activity of branch ministries and state committees for introducing information technologies. But attempts to create and implement a global concept of information technology for Crimea have not produced any practical results up to the present time. Moreover there is a continuation of the chaotic condition in the development of information complexes of branch ministries and state committees without taking into account the possibilities of their information interaction and joint utilization.

In our opinion, an optimal solution to the problem of creating a unified information space could be the development of a concept of stage-by-stage integration of existing information complexes of ministries and state committees. A possible first step in this direction could be the creation of a unified state register of payers of taxes into the budget, which would immediately produce a real return.

In the situation that has been created, in order to level out the budget process the only measures that have been financed are those related to supporting the life activity of the republic. Revenues that have been received have made it possible to finance only 63 percent of the minimum budget needs.

The priority areas for the utilization of budget funds have been: payments for social protection of the population—4.1 trillion karbovantsy, financing institutions of the social-cultural sphere— 10.1 trillion karbovantsy, including educational institutions—4.7 trillion karbovantsy, and public health institutions—4.6 trillion karbovantsy. For rendering state aid to families with children we have spent 304.4 billion karbovantsy, for payments of benefits to veterans of war and labor—96.7 billion karbovantsy, and targeted subsidies for bread and milk to low-income citizens—479.4 billion karbovantsy; compensations have been granted to rehabilitated citizens—1.2 billion karbovantsy, and monetary aid to disabled citizens has amounted to 1.5 billion karbovantsy, while 262 billion karbovantsy has been allotted for free capital repair on residences of disabled persons and participants in the war.

It should be noted that the city and rayon executive committees are not fulfilling the requirements of Government of Crimea Directive No. 44-r of 30 January 1995 "On Payment of Stipends to Families with Children," and they are not taking the proper measures for prompt and complete protection of socially vulnerable categories of citizens. Taking into account the difficult financial situation of the local budgets, the Ministry of Finance found a possibility and on 10 February issued a loan to the city and rayon executive committees in the amount of 52.7 billion karbovantsy to pay off debts to enterprises for the payment of stipends to families with children during 1994. But as of 1 July 1995 this indebtedness amounted to 199.5 billion karbovantsy (the cities of Simferopol and Feodosiya and Bakhchisarayskiy, Belogorskiy, Dzhankoyskiy, Kirovskiy, Krasnogvardeyskiy, Nizhnegorskiy, Razdolnenskiy, Sakaskiy, and Sovetskiy Rayons).

For maintenance of institutions of the sociocultural sphere 10.2 trillion karbovantsy was allotted, including 3.6 trillion karbovantsy from the republic budget, which is 42.3 percent of the overall sum of the expenditures. Financing was provided only for the priority budget institutions with an immediate need.

As of 1 July indebtedness of budget financed institutions amounting to an overall total of about 3.4 trillion karbovantsy had no financing. We have not eliminated the indebtedness on electric energy (as of 1 July—188 billion karbovantsy). While there is a critical shortage of budget resources, economical and thrifty expenditure of budget funds has not become the norm of financial and economic activity for the majority of managers of budget-financed institutions. At the present time more than 35 percent of the allocations allotted for health protection is used for wages with deductions for public health. But the expanded rights granted to managers to establish increments for difficulty and intensiveness as well as the quality of labor and also additional payments for combining and substituting work, the increased amount of work done during the basic work hours, and the elimination of the list of jobs for which the aforementioned additional payments could previously be received were grounds on which payments of wages were increased without improving the medical service for the population. Thus in the surgery division of the Leninskiy Central Rayon Hospital for five doctors the additional payments for changing and payments for combining duties amounted to 269 percent of the basic salary and, moreover, 5 billion karbovantsy was paid for the quality of work, as a result of which the average wage in April amounted to 21.2 million karbovantsy.

The introduction of the brigade contract also produces a similar result in a number of cases. Thus for "first aid" in Yevpatoriya in seven brigades 226 salaries were authorized for 128 individuals, as a result of which the average wage of physicians in the brigade in April exceeded 15 million karbovantsy and for nurses—6.8 million karbovantsy. In two sections of the republic clinical hospital imeni Semashko, for 15 physicians positions the additional wage amounted to 70 percent and as a result the average wage in April reached 15.9 million karbovantsy. In the Alushta Central Rayon Hospital 16 departments are operating under the brigade contract and they have only 70-80 percent of the scheduled number of workers, as a result of which the average wage for physicians in April was 12.7 million karbovantsy, for mid-level medical personnel—7.3 million karbovantsy, and for junior medical personnel—3.5 million karbovantsy.

In certain institutions increments for the difficulty and quality of labor are included in the planning fund. Thus at the Scientific Research Institute imeni Sechnov as a result of this the planned wage fund during the first quarter was increased by 434.4 million karbovantsy, which made it possible to establish increments for the quality of labor for 311 workers, or 80 percent of the overall number of workers, of from 10 to 100 percent. In the Krasnoperekopskiy Central Rayon Hospital the payment of increments for the difficulty of work raised the average wage of physicians to 12.7 million karbovantsy and nurses—to 5.1 million karbovantsy. In the Pochtovskaya hospital in Bakhchisarayskiy Rayon additional payments were established for the difficulty in intensiveness of work in the amount of 30 percent, while only 63-73 percent of the beds were occupied.

Especially unacceptable under current conditions is the introduction of new staff positions, frequently in excess of the standard staff sizes. Thus at the Scientific Research Institute imeni Sechnov a capital construction division was created consisting of three individuals instead of one engineer for technical oversight, and throughout 1994 and the past period of 1995, 26 additional units have been introduced at the Scientific Research Institute. At the children's hospital in Feodosiya by orders from the city public health department 10 staff positions were introduced in excess of the staff norms, and at the Yalta city polyclinic effective 1 January an additional 372 units were introduced in excess of the norms, while vacancies amount to 80 units, and at the Sovetskaya Central Rayon Hospital—four staff units. The considerable increase in the number of personnel was brought about by the introduction of narrowly specialized workers in the organization of intensive-care positions in treatment institutions by orders of the Ministry of Health of Crimea, which, what with the existence of a considerable number of vacant positions, could be done without increasing the overall number of personnel.

Similar shortcomings and violations occurred in educational institutions. While there were no savings on the wage fund, bonuses, increments, and material aid were provided.

Thus leaders of general educational schools, preschool and extracurricular institutions, and correspondence and in-class schools in Alushta, Yevpatoriya, and Dzhankoyskiy Rayon are paying increments in connection with the contract form of hiring in amounts from 20 to 50 percent. Because of this an additional 55 million karbovantsy was spent on paying for vacations for managers of educational institutions of Alushta. In Sudak this type of increment is being paid in amounts from 30 to 100 percent. Additionally, each quarter bonuses of 100 percent are being paid without a source.

In general educational schools of the republic when there are substitutions for school hours, hours of individual work are paid for. A selective inspection of the secondary schools of Dzhankoyskiy Rayon showed that the actual amount of time worked was not confirmed with documents (in a journal or class schedule).

When wages are calculated for pedagogical workers of the cities of Yevpatoriya and Saki and Dzhankoyskiy and Kransnogvardeyskiy Rayons they unjustifiably index all types of additional payments: for correcting notebooks, for class leadership, offices, school shops, etc. even though allocations for these purposes are not envisioned in the budget.

Such an approach to questions of paying wages in institutions of education and public health has led to a situation where practically 60-70 percent of the revenues received in city and rayon budgets is spent on paying for these.

The need to reinforce oversight to make sure of a maximum increase in the effectiveness of the utilization of available wage funds was fully taken into account when forming the draft budget for 1995, and therefore in order to introduce order into the utilization of the wage fund, effective in 1995 a decision has been adopted to approve staff organizational charts of budget-financed institutions with municipal ownership—for city and rayon executive committees, and republic ownership—for ministries and state committees with the consent of the Ministry of Finance within the confines of the allotted wage fund.

City and rayon executive committees are doing an extremely unsatisfactory job of paying for vacations for pedagogical workers. The Ministry of Finance has done a considerable amount of work to render aid to city and rayon executive committees in solving this problem, and on the basis of a daily analysis of revenues into local budgets has found a possibility of allotting target loans to city and rayon executive committees. During the period from 1 June through 10 July they amounted to 441.5 billion karbovantsy. A proposal was made to the city and rayon executive committees to use nonbudget funds of local councils for payments for vacations.

Allocations for economic needs are being utilized extremely inefficiently and without supervision. When concluding agreements for municipal services the volumes of services received are frequently not clarified and not monitored. Thus for the Beregovoy sovkhoz in Sakskiy Rayon the payment for water supply for the Molochnenskaya school according to the agreement was for 275 days, while there were 170 school days, and the Feodosiya city supply administration did not decrease the number of days for the removal of garbage when it changed over to a five-day school schedule, and institutions of public health and education of the city of Yevpatoriya did not make changes in agreements with the water supply administration when the number of users was changed.

In a number of cases leaders of social and cultural institutions do not take into account the actual consumption of municipal services during the past period, as a result of which their planned volumes are increased. In agreements for heating and occupational decontamination, the areas treated are frequently significantly exaggerated. Institutions of education, culture, and public health of Krasnoperekopsk, Dzhankoy, Feodosiya, Sudak, Yalta, and Leninskiy Rayon were overpaid 2.9 billion karbovantsy because of overexpenditure of electric energy.

Cases have been discovered in which managers of budget-financed institutions concluded agreements for additional municipal services which are not mandatory for the functioning of the institutions. While there is a shortage of budget resources to cover immediately necessary expenditures, there is still an increase in accounts receivable in budget institutions. As a result of tardy crediting of material assets and the failure to fulfill contractual commitments with commercial firms, accounts receivable in institutions under the jurisdiction of the Ministry of Health of Crimea amounted to 123 billion karbovantsy.

Measures approved by the Government of Crimea when considering the budget in Decree No. 147 of 18 May 1995 were intended to provide for a maximum increase in the effectiveness of the utilization of funds. But in spite of the inadequate amounts of budget funds allotted, certain city and rayon executive committees as well as enterprises and organizations have committed violations in their utilization. The Krymavtotrans production association used budget funds intended to cover losses of city passenger transportation in an amount of 2.7 billion karbovantsy for rendering financial aid to enterprises that provide cargo shipments. The central rayon executive committee of Simferopol used 2.0 billion karbovantsy of maintenance funds for the construction of gas networks in the private sector. The volumes of work done were overstated in the housing operations departments of Kiyevskiy and Tsentralniy Rayons of Simferopol and the Yalta housing and municipal services administration for an overall sum of 286.9 million karbovantsy.

In spite of the critical problem related to heating housing with departmental boilers, the Feodosiya housing construction combine used credit for purchasing fuel in an amount of 1.1 billion karbovantsy to acquire construction materials, as a result of which 724 tonnes of fuel oil were not delivered. Budget funds amounting to 500 million karbovantsy were not used for their intended purpose by the Krymskaya Roza production association.

The mechanism for monetary payments to the population to cover costs of paying for housing and municipal services because of the increase in the rates envisioned by Decree No. 89 of the Cabinet of Ministers of Ukraine of 4 February 1995 is being introduced slowly in the regions of the republic. During the first half of this year subsidies were granted to only 355 families for a total of 58.7 million karbovantsy.

For financing the construction of priority facilities for sewerage and water supply, aid from the state budget of Ukraine was rendered for an overall sum of 820.0 billion karbovantsy. Also allotted from funds of the state budget of Ukraine was 250 billion karbovantsy for the acquisition of 15 motor vehicles and 10 trolley buses.

A certain amount of work has been done to render aid to the agro- industrial complex. Funds are being allotted not only from the republic budget but also from the state budget of Ukraine. As of 1 July an advance was received in the amount of 1.126 trillion karbovantsy for buying food grain under State Contract-95. This enabled agricultural commodity producers to conclude contracts for 4.3553 trillion karbovantsy. Inspections of the effectiveness of the utilization of budget funds allotted under State Contract 1994 established cases of the use of budget funds for other than their intended purpose.

For maintenance of central organs of legislative and executive power and other state structures under the Government of the Autonomous Republic of Crimea we have spent 160.7 billion karbovantsy allotted from the republic budget, or 20 percent of the annual plan. For organs of local self-government—330.9 billion karbovantsy were spent, which is 47.5 percent of the calculated amount of financing for 1995. The funds were allotted basically for payment of wages and supplements to wages and for renting official passenger transportation as well as for payment for municipal services and leasing of premises.

We are very alarmed about the growth of various kinds of state nonbudget funds, the money from which is frequently used inefficiently and for other than its intended purposes. Inspections conducted by financial organs in conjunction with the State Tax Inspectorate established that the Dzhankoy City Council of People's Deputies spent 27.9 billion karbovantsy from a nonbudget fund to acquire construction materials and equipment for the small-scale enterprise Krym-Plyus and the Mezhbodnenskiy rural council in Chernomorskiy Rayon unjustifiably spent a total of 22 million karbovantsy from a nonbudget account to pay for food for teachers. Certain executive committees have granted interest-free credit to agents of entrepreneurial activity and state enterprises for an overall sum of 3.3 billion karbovantsy. It should also be noted that with the availability of money in nonbudget accounts (as of 1 June 1995 it amounted to 27 billion karbovantsy), the executive committees of the cities of Feodosiya and of Kirovskiy, Simferopolskiy, and other rayons did not use all of it to pay for vacations for pedagogical workers.

It is logical to ask what the ministry intends to do to provide for fulfillment of the revenue side of the budget and cover the expenditures envisioned for 1995. In order to stabilize the economy it is necessary for the Cabinet of Ministers of Ukraine to approve state-regulated prices for energy sources and ferrous and nonferrous metals; to accelerate the solution to the problem of payment for land occupied by military units of Russia; to take immediate measures to improve existing taxation; to provide for protection of the domestic market through regulation of customs fees and taxes; and to provide in 1996 for contractual relations in the formation of the budget of Crimea.

At the local level the Supreme Council of Crimea, in our opinion, should remove the moratorium on privatization; improve the Statute on the Procedure for Applying Laws on Payment for Land; abolish all previously granted privileges to lower councils; and when dividing up authority, preserve the procedure for transferring revenues in the amount of 100 percent as well as the procedure for conducting experiments.

The Government of Crimea, in our view, must abolish privileges; instruct the Ministry of the Economy to develop systems for putting monetary funds into circulation in Crimea in conjunction with the National Bank and the State Committee on Statistics; take measures to create a common information space; and, finally, instruct the Ministry of Industry to conduct measures to increase the output of products.

Of course, the work before us is complicated and difficult, but unless we recognize the need for each official to take a thrifty attitude toward the expenditure of budget funds and unless we show concern for supplementing the Crimean treasury, we will not solve all our economic and social problems. The popular wisdom that for centuries has called for us to watch every penny is certainly not outdated. It is more timely today than ever before. So let us follow the sound advice of our ancestors.

Concept of State Housing Policy

954F2936A Kiev GOLOS UKRAINY in Russian 25 Jul 95 p 2

["Decree of the Ukrainian Supreme Council: On the Concept of State Housing Policy" and "Concept of State Housing Policy"]

[FBIS Translated Text]

Decree of the Ukrainian Supreme Council on the Concept of State Housing Policy

The Ukrainian Supreme Council decrees:

1. To approve the Concept of State Housing Policy (attached).

2. That the Ukraine Cabinet of Ministers shall draw up and present to the Ukrainian Supreme Council for examination, prior to the close of 1995, appropriate draft legislative acts proceeding from this concept and the draft state program for provision of housing to citizens.

3. To place the Concept of State Housing Policy at the foundation of legislative acts which regulate housing relations and the state, regional, and sector programs for provision of housing to citizens.

[Signed] Chairman of the Ukrainian Supreme Council A. Moroz

City of Kiev

30 June 1995

Concept of State Housing Policy

Deficiencies in the finance and credit system, centralization of the construction, modernization, and maintenance of available housing assets, restrictions in the allocation of land parcels and construction of individual housing, and the absence of incentives in the resolution of housing issues have significantly exacerbated the housing problem. Over 2.6 million families (including families with the right to top-priority receipt of an apartment) have been waiting a lengthy period of time on the list of those requiring improved housing conditions. At the same time, despite the low level of provision of citizens with housing, housing construction volumes are decreasing every year. In addition, radical change is needed in existing legislative and other normative acts which regulate relations in the housing sphere.

The Concept of State Housing Policy determines the main orientations of exercise of the right of Ukrainian citizens to housing.

The objective of state housing policy is to create the conditions for exercise of the right of citizens to housing, to expand housing construction, and to improve the maintenance and intactness of available housing assets.

Construction, modernization, and maintenance of housing assets comprise one of the priority orientations of the country's socioeconomic development and constitute an important factor in reducing social tension in society.

Factors Necessitating the Reform of State Housing Policy

The need for reform of state housing policy proceeds from the following:

nonconformance of housing relations to changes in the country's economy, and the need to accelerate integration of the housing sphere within the overall system of the market economy;

reduced volumes of state financing for housing construction related to changes in the formulation of state and local budgets, drop in purchasing power of the populace, and inflationary processes in the economy;

inadequate support on the part of the state for cooperative and individual housing construction;

lack of conformance of payment amounts for the use of state housing to the actual costs of its upkeep, deficiencies in the existing system of project financing for projects related to the servicing of state housing assets, and the parasitic attitude of users towards housing, which leads to its rapid physical deterioration and obsolescence;

social injustice with respect to citizens who have built and maintain housing using their own funds, while at the same time participating in the construction and maintenance of state housing assets due to the existing system of taxation;

the orientation of state housing policy on priority construction of housing in large cities, which has led to significant disproportions in the level of accommodations and conveniences in the housing assets of population centers of various sizes, and has brought about the decline of the village;

excessive monopolization in the construction, modernization, and maintenance of housing assets;

imperfections in the system of housing distribution and allocation, restricted opportunities to select housing by type and location;

the lack of economic capability on the part of young people to construct or acquire housing—one reason for deterioration of the demographic situation in the state;

inadequate legislative regulation of the relationships arising in the process of privatization of state housing assets.

Main Orientations of State Housing Policy

The main orientations of state housing policy are as follows:

to create conditions under which each citizen might freely, by choice, and in accordance with his needs and capabilities, erect housing, acquire ownership of it, and rent it;

to provide housing through use of state funds within the limits of established norms for socially unprotected citizens in need of improved housing conditions, in particular—the needy, invalids, war veterans, military servicemen, victims of the accident at the Chernobyl Nuclear Power Plant, and certain other categories of citizens as stipulated in the Ukraine Housing Code and other legislative acts;

to afford housing from available state housing assets, or grants and preferential-term credits for the acquisition or construction of housing to families who have been on the apartment list for a prolonged period of time, taking into account the specific length of time on the list and their financial state. To assist young families in the construction or acquisition of housing;

to provide state incentives for construction, modernization, and maintenance of housing assets through a system of economic and financial mechanisms;

to change urban-planning strategy in the direction of expanded construction volumes of more comfortable housing, low-story estate- type residential buildings, and the development of small and mid- size population centers. To create a favorable living environment with the necessary infrastructure for provision of social, municipal, and cultural services to the populace;

to eliminate dilapidated and stand-by state housing assets, expand the modernization and reconstruction of old housing projects, and reallocate apartments in which two or more tenants reside;

to facilitate increased construction volumes and improvements in the quality and level of accommodations and conveniences in the housing of rural population centers, and to institute housing and communal services for the village on an urgent basis;

to effect further transition, as wage reforms proceed, to a self- supporting system of payments for the use of housing and municipal services, and to target subsidies for such expenditures to needy and socially unprotected families;

to gradually redistribute functions, as economic reforms are carried out, among organs of state executive authority, organs of local self-government, enterprises, institutions, and organizations in the sphere of construction, modernization, and maintenance of housing assets, with the aim of decentralizing these functions.

Means of Implementation of State Housing Policy

State housing policy envisages the following:

expansion of housing construction using various sources of financing; assistance in attracting nonbudget sources of financing, in particular—monetary assets of the populace, enterprises, institutions, organizations, funds, bank credits, etc.;

improvement of the system of housing construction investments, including through the attraction of citizens' privatization shares for housing construction; the establishment of conditions for affording citizens preferential credits to build or purchase a home;

provision of incentives to enterprises, institutions, and organizations engaged in the design, construction, and modernization of housing assets, manufacture of ecologically safe building materials and equipment for housing construction, and maintenance of available housing assets, as well as enterprises, institutions, and organizations which construct housing for their employees;

establishment of conditions for the development of exchanges, investment funds, mortgage and housing banks, insurance companies, and other market structures to secure the financing of housing construction;

regulation of amounts of payment for the use of housing assets and communal services, taking into account consumer-quality indices;

guarantees of social protection for the populace in connection with the transition to a self-supporting system of housing operation and the affording of housing and municipal services on the basis of their cost;

review of the general plans and formation of integral construction projects of cities and other population centers, taking into account new types and methods of housing construction, including low-story and individual (estate) construction; determination of prospective residential housing construction zones in suburban areas;

unconditional provision of land parcels for individual construction to citizens in need of improved housing conditions; the provision of land parcels for housing construction, in accordance with existing legislation, to other physical and juridical persons;

improvements on lands allocated for housing construction with respect to local road networks, civil engineering projects, and social infrastructure, with attraction of funds from appropriate budgets, builders, and investors; expansion of the network of specialized homes for temporary residence of citizens (dormitories, boarding houses, inn-shelters);

reorientation of construction organizations and building-materials enterprises on new methods of erecting housing, production of modern, ecologically safe and energy-conserving components, construction items, and equipment in the required volumes, expansion of the use of local building materials;

establishment of a market of construction services, building materials, components, technologies, and design documentation, as well as top-priority direction of nonstate investments towards the construction and modernization of housing and other facilities in the social sphere;

the involvement of machine-building and defense industry enterprises in the manufacture of machinery, mechanisms, equipment, and small-scale mechanization for construction organizations and the building materials industry;

continuation of the privatization of state housing assets and establishment of the housing market and market structures in the housing industry;

increased responsibility of owners and users of apartments (houses) with respect to their proper use and maintenance; prohibition of the use of housing for other than intended purposes;

mandatory membership in societies (associations), for apartment owners in multi-unit residential buildings, for the purpose of ensuring proper maintenance of these buildings and adjacent areas;

introduction of state support for youth in the provision of housing.

Participation of Citizens (Citizen Associations) in Housing Assets Management

Citizens (associations of citizens) may participate:

in the management of housing assets with the aim of protecting their economic and social rights and interests;

in the selection, on a competitive basis, of organizations for the construction, servicing, and repair of housing assets;

in the exercise of controls over expenditures and price formation with respect to housing and municipal services.

* * *

The provisions of the Concept of State Housing Policy constitute the basis for development of the new Ukraine Housing Code and other legislative acts regulating housing relations under contemporary socioeconomic conditions, and shall be taken into account in the development of regional and sector programs for provision of housing to citizens.

*Extensive Mine Shutdowns Advocated

954F2977A Kiev MOST in Russian
No 30, 31 Jul-6 Aug 95 p 10

[Article by Yuriy Vishnevskiy: "Goodbye, Black Specter?"]

[FBIS Translated Text] **Coal, which became the basis for the development of industry in the sparsely populated steppes of the Dniepr zone a century ago, is turning into the scourge of the territory. Whereas coal mining provided the owners of the Donetsk mines and pits with large and quick profits in the pre-revolutionary decades, it now provides the state-owner with nothing but losses, and these would be twice as great if environmental damage were to be included in the calculations.**

The total area of land occupied by coal mines and pits in Ukraine is around 1.5 million hectares—one-fortieth of all national territory—and only a small percentage of the land has been recultivated. There are frequent cases in which the earth sinks, along with the structures built on it, and in which small and even medium-sized lakes and rivers disappear underground. Although the Donbass is located in a seismically stable zone, it is facing the threat of technogenic earthquakes of growing proportions, and this growth is being hastened by the abandonment of depleted mines. Is there any doubt that this will be followed by other upheavals—social ones? Coal, the black gold extolled by Vladimir Vysotskiy, has been less similar to gold than to a black specter for a long time in Ukraine, demanding sacrifices not for the right to own it, but for the chance to escape it.

Boundary

Profitability is the key issue in all arguments over the future of the coal industry. It is supposed to aid in drawing a boundary between the black gold and its specter. The Government of Ukraine has divided the 237 mines managed by coal production associations into three categories: 1) 58 mines with good prospects for profitable autonomous operations; 2) 141 mines which could be profitable with help from the state; 3) 38 mines which are clearly unprofitable. Almost 60 percent of the mines, as we can see, belong to the second category, for which profitability is attainable but will require capital investment. The future of these mines has aroused considerable debate. Obviously, from the standpoint of the owner, there is no point in the continued operation of unprofitable enterprises, and the boundary has to be drawn between the first and second categories. From the standpoint of the hired manpower at these enterprises, on the other hand, it would be pointless to close mines which are not suffering any particular losses and are a source of jobs paying a more or less average wage by present standards in Ukraine, and in this case the boundary would have to be drawn between the second and third categories.

The key to this paradox is not the difference between the so-called capitalist and socialist approaches, but the fundamental difference between the laws of micro- and macro-economics, equally perceptible to the owners, expressed in their common language of profits, and to hired labor, expressed in the language of wages. The essential difference is that the closure of enterprises situated on the boundary between profitability and unprofitability is absolutely justified from the standpoint of the owner and absolutely unjustified from the standpoint of the workers in each specific case. If this is done on a massive scale, however, it is objectively justified as long as the funds made available by the closures are used to create more jobs (but only if these are within the country!) than were eliminated. This is an objective fact because the reduction of the number of jobs in the country is equally inconvenient for owners and workers. It forces the state to increase taxes and contributions to various funds from profits and from wages—due, first of all, to the need for increased expenditures on the maintenance of the army of unemployed and, second, to the need for the coverage of the cost of maintaining the budget sphere (including the army), pensioners, the disabled, and the unemployed by a smaller number of taxpayers.

These purely qualitative considerations provide sufficient evidence that whereas the need to keep the 58 most promising mines and close the 38 least promising mines is completely indisputable, neither the retention nor the closure of the 141 "intermediate" mines would be the best option. The truth—that same boundary between national property and national disaster—lies somewhere in between. Therefore, if we proceed from the national interest, the number of mines subject to closure should be several times higher than 38.

Conflict of Interests

Finding the "golden mean" between the interests of the workers of each specific enterprise and the owners of these enterprises is the job of negotiators representing the two sides, with state participation to secure the maximum correspondence of the final decisions to the interests of the population as a whole. The fact that the state is simultaneously the owner in Ukraine's coal industry is of no fundamental importance in this case, because the main conflict of interest is within the group of hired workers.

A million people work for enterprises, institutions, and organizations of the Ministry of the Coal Industry, and 680,000 of them are employed directly in the production of coal (according to data for the beginning of 1995). Although the output of coal is less than half of what it was at the end of the 1980s, the number of people employed in coal production is still almost the same. Today the 170,000 miners working for the 111 more or less profitable mines and the concentrating factories serving them—one-fourth of the previously mentioned 680,000—produce 61 percent of all the coal, whereas the remaining 510,000 produce only 39 percent. The average output per miner in Ukraine today is around 115 tonnes of coal a year, whereas the figure is three or four times as high in Poland and Russia and more than 20 times as high in the United States and Australia. The average for the most productive 170,000 workers, however, is almost 285 tonnes a year, which is almost the same as the output of our Eastern and Western neighbors—i.e., these enterprises are completely or almost completely competitive. In the other mines the average productivity is only 60 tonnes a year per worker, which is only one-seventh as high as the figure for the Russians and Poles. This gap is already virtually insurmountable. As we can see, these data confirm the conclusion that the locations inhabited by the black specter are not only the 38 mines officially acknowledged as such, but also twice that number of mines elsewhere.

Today the life of these mines is being sustained artificially by the internal resources of viable enterprises. The Ministry of the Economy and Ministry of the Coal Industry set the kind of wholesale price for coal sold to consumers that covers the costs of coal production and secures social funds and social services for the industry as a whole. The economic performance of each mine is judged not on the basis of this wholesale price, but on the basis of so-called accounting prices, set separately for each enterprise in such a way as to cover its projected expenditures. As a result, much of the income of profitable enterprises is redistributed to unprofitable enterprises, causing the former to lose the money which they have earned through conscientious labor and which is so necessary for the development of production, the improvement of working conditions, etc. It is understandable that the workers of the profitable mines feel cheated and have an interest in the economic autonomy of their own enterprises and the elimination of the intrasectorial redistribution of income. The workers of unprofitable mines, on the other hand, have an interest in the perpetuation of the intrasectorial subsidies, because their elimination would mean the imminent closure of their enterprises and, consequently, the loss of their jobs.

The interests of the state, as the owner, consist in getting rid of unprofitable mines and mines with a low profit margin and investing the available funds in the more promising production units. Consideration for the interests of the population as a whole will necessitate the expenditure of these available funds in Ukraine to create new jobs in place of the ones lost by Ukrainian workers, and not to create jobs for foreign workers. In view of the fact that Ukraine ceased to be an exporter of coal and turned into an importer last year, the best option might be the redirection of the funds from unpromising coal enterprises to promising and new enterprises, as well as the encouragement of foreign and domestic investment in the Ukrainian coal industry. Therefore, the interests of the state and the population of the country as a whole coincide with the interests of the workers of profitable mines.

Finally, the interested parties also include international financial organizations. In view of the fact that many private foreign investors see their assistance in a particular project as a sign of the potential of the enterprises in question, the terms and recommendations international organizations set as conditions for their assistance should be linked with the interests of foreign investors and, consequently, with the interests of the more promising and profitable enterprises in which these individuals will be most likely to invest their capital.

Release

Many of the promising mines in Ukraine are experiencing a chronic manpower shortage and often have no chance of working prepared mine faces. The mass closure of unprofitable mines and the concentration of existing and new investments in the development and renovation of promising enterprises, including lignite mining enterprises, will therefore give most of the released tunnelers and stope miners a chance to find jobs in their own field. The employment prospects of the released surface workers are much more ambiguous.

Administrative personnel make up a special category of the surface workers. Members of the administrative link have high salaries, the chance to pay themselves bonuses, and priority in the use of social benefits for which all miners are officially eligible, and they also have additional sources of income deriving from the flaws in the current system for the calculation of the quantity and control of the quality of acquired materials and shipped coal, as well as the indistinct line between commercial risk and financial abuses. It is not surprising that this category of personnel at the enterprises threatened by closure has a greater interest in disrupting these plans and, conversely, that the administrators of promising enterprises have a greater interest in achieving economic autonomy.

All of this also applies to the production associations. Each has advanced and backward elements, but some have more of the former and others have more of the latter. Incidentally, in addition to having conflicting interests, the administrators of promising and unpromising mines and production associations also have common interests: in higher wholesale coal prices, in state support, including the extension whenever the nonpayment crisis grows more acute, in protectionism to give domestic coal producers an advantage over foreign producers, in the creation of a stabilization fund, in the termination of the coal industry's responsibility to maintain the social sphere and, finally, in the appropriation of the concentrating factories that take much of the output of commercial coal beyond the control of coal miners. It is not surprising that all of this obscured the conflicting interests of the general directors. When the Ministry of the Coal Industry was established in November 1994, for example, the overwhelming majority of the "generals" supported the plan to create it and endorsed the appointment of General Director Viktor Poltavets of the "Luganskugol" Production Association as minister.

Now that the ministry is performing its corporative functions, however, the conflicting interests are becoming prominent again. Conclusive evidence of this is provided by the creation of two separate groups of miners' unions and strike committees with diametrically opposed attitudes toward the ministry and the minister in spring 1995. Furthermore, the Ministry of the Coal Industry has had to change its own plans. Its program envisages the reduction of the number of coal mining production associations from 23 to 15 by merging some of them and assigning the enterprises of all three existing coal concentrating associations to them, as well as the functions and resources of the "Uglesbyt" association. Coal mining associations have been authorized to sell up to 20 percent of their coal outside the confines of the prices set by the ministry. The ministry has expressed its intention to gradually increase the percentage of freely sold coal every three months to 40, 60, 80, and 100 percent. If this does happen, all coal will be sold at contract prices within a year, and the intrasectorial subsidies will disappear.

This means that the closure of unprofitable mines, which is now only a hypothetical possibility, will become a fact. Fifteen mines are already being shut down, and the appropriate programs are being drawn up by project planning institutes of the Ministry of the Coal Industry. It is true that the report of the World Bank representatives who visited Ukraine on 9-20 May this year states that "the initial impressions of the data in the program for the closure of 15 mines are that the projected closure costs are much higher than necessary and that the closure process will take much longer than necessary (2-3 years), which will increase the costs even more." Nevertheless, however slow the process of release from the black specter might be, it is certain to pick up speed.

One guarantee of this is the much less autonomous role the new Government of Ukraine has assigned to sectorial ministries like the Ministry of the Coal Industry. As the interests of enterprises in various industries begin to diverge, these ministries will cease to be the promoters of common corporate interests and will have to pursue the policy defined by the so-called functional ministries—Economy, Finance, Labor, External Economic Relations, and Trade—and by the vice premiers with jurisdiction over them. It is obvious that the path of production concentration and restructuring, the path the Ukrainian coal industry will have to take now (40 years after the coal industry in the West European countries), will not be strewn with roses, and if there are any roses, they will be all thorns and no petals. The petals will have been removed in advance by the defenders of the black specter—pink, red, and brown.

Kazakhstan

Verk Speculates on New Parliament's Makeup

954F3026A Almaty STOLICHNOYE OBOZRENIYE in Russian 3 Aug 95 p 4

[Article by Viktor Verk: "The Parliament That We Elect"]

[FBIS Translated Text]

1. Bicameralism: Clearly More Pluses

If we proceed from the assertion that any people get the parliament they deserve, we can only sympathize with the people of Kazakhstan. For they undoubtedly deserve more.

Glancing back over the entire path of development of Kazakhstani parliamentarianism, we will hardly find if only a small segment in which if only one of our corps of deputies has shown itself to be truly a branch of power—strong, consistent, and, most important, responsible.

We recall the embarrassment of the end of 1993, when the 12th Supreme Council logically arrived at the adoption of the anticonstitutional law on the delegation of supplementary powers to the president, after which it remained only to dissolve itself. Can we speak seriously, we wonder, about a legislature that violates the constitution it adopted? It should be remembered that immediately after the adoption of the present basic law in January 1993, Serykbolsyn Abdildin, chairman of the Supreme Council at that time, termed the constitution "holy writ." Who could then have thought that less than a year later he himself would close his eyes to manifest "sacrilege"? As we have already said, this outcome was entirely logical, come to that. And not least because people, the majority of whom were primarily concerned with their own interests—their enterprises, their region, and even their pockets—occupied the building on Abylay Khan Avenue at that time.

It is not surprising that the sittings of sessions that met four times a year were reminiscent more of production conferences, where each strove to "shake loose" for his "subdivision" better conditions than those of his neighbor.

When, however, the need to adopt documents of association of a nationwide scale (be it a package of banking laws or the constitution), the members of parliament's lack of the constructive principle was immediately noticeable. It was not fortuitous that the discussion of the draft of the present constitution at some stage became obsessed with the language question. And only the decisive actions of the president permitted what had been started at that time to be brought to a logical conclusion.

No less tragi-comic situations arose periodically among the "professionals" of the last, 13th, council also. It is sufficient to recall if only the members of parliament's response to the Constitutional Court's verdict on Tatyana Kvyatkovskaya's suit, when the self-preservation instinct proved stronger than elementary logic. It would have been sufficient for the corps of deputies to have made revisions to the Election Code, and the guards of the constitution would have been powerless: In accordance with the law on constitutional procedure, they cannot examine for conformity to the Constitution provisions that have lapsed.

What are the reasons for such manifest failures in the activity of our people's elect? Following the self-dissolution of the last parliament, there was much talk about the deficiency of the parliamentary elections themselves according to the old "Union" system—from the CPSU, from "public organizations," and so forth. Big hopes were for this reason linked with the new Election Code, which for the first time allowed of the election of some of the deputies by party slate. Many lances were broken over the president's official slate also: Pessimists called it a Trojan Horse of the executive in the camp of the legislators, optimists, on the contrary, believed that the people on the official slate would bring to the corps of deputies responsibility and objectivity—qualities that had frequently betrayed its predecessor. But subsequent events confounded both the first and the second. The official slate people failed altogether to show themselves to be an in any way cohesive force and preferred to hold up their "finger to the wind," orienting themselves toward the silent majority or "morass." It is indicative that, according to the results of the rating vote last December (when the president proposed the discussion of the very possibility of amendments to the constitution on the land, bilingualism, and the nature of statehood), almost all the official slate people were opposed.

People in the know maintain that it was then that the Olympus of the executive finally became firmly convinced of the need for an urgent reform of the legislature. For the successful implementation of the reforms the country needed a compact, flexible parliament as free as possible of regional and other group interests. At the same time, on the other hand, it is essential to adjust the law-making "mechanism" such as to insure against "defects"—like the bill on the timely payment of wages offered by a group of deputies of the last parliament.

It is for these reasons that a bicameral structure of parliament, which is, in fact, contained in the draft constitution, would seem the optimum version. In addition, bicameralism dependably insures against the conversion of the corps of deputies into a monolithic force in opposition to the executive and the president: The upper chamber, formed by way of indirect elections from representatives of the regions, would curb the undue radicalism of the lower chamber. Who will constitute the Mazhilis is another matter.

2. Parties Begin and....

Today, when the elections are far off, seemingly, no forecasts appear all that convincing. At the same time the pace of nomenklatura-party building, which has been stepped up noticeably as of late, affords grounds for certain conjectures.

The struggle for the 55 deputy's mandates will most likely be conducted by the parties close to the authorities, primarily the Democratic Party and the PNEK [Party of People's Unity of Kazakhstan]. Both these parties have to their credit not only experienced politicians who have, all else aside, graduated from the administrative machinery school. What is far more important is something else: They have a strict hierarchical structure making it possible at the right moment to secure for their candidates support in the regions.

True, the program principles of both the democrats and the PNEKites appear somewhat vague. But account should be taken here of the singularities of the mentality of our electorate, which (as in Russia also) will vote more for actual people than for "ideas."

The Socialist Party and the People's Congress, though, also have certain chances from the viewpoint of the availability of a strict organizational structure. Although neither, while having stated their disagreement with the policy of the authorities, has been able to counterpose to it its own action program either in policy or (and this is the main thing) in the economy. There is no ideological unity in their ranks, and many of those who even yesterday enjoyed the reputation of "consummate" members of the opposition today prefer to hobnob with the authorities.

Nor can the Assembly of the Peoples of Kazakhstan, which will, perfectly possibly, become a "forge of personnel" for the future parliament, be disregarded either. Although, following the adoption of the Constitution, which legitimizes the Assembly of the Peoples of Kazakhstan, many of its delegates will prefer to deputyship, which is unreliable in the sense of political longevity, a comfortable existence in a "consultative-advisory" mode.

A certain influence on the outcome of the future parliamentary elections will also be exerted, evidently, by independent candidates—mainly from the ranks of former members of parliament. The most notable figures in the former corps of deputies such as Vladimir Chernyshev, Zhasaral Kuanyshalin, or Mikhail Golovkov—will surely want to try their hand once again. They could be joined by Tatyana Kvyatkovskaya, whose "birth" as a politician is directly connected with the "demise" of the last parliament.

On the whole, the picture of the future elections promises to be quite interesting: Experienced politicians from the nomenklatura ring will take part in the election race together with those who have never belonged to the machinery of state. We observed the same thing last winter, at the time of the previous election campaign. Only at that time the district commissions ruthlessly "shot down" those whom they found objectionable. Now, however, parliament, placed by the new Constitution within a precisely drawn framework, will cease to seriously trouble the executive as a potential "breeding ground" of opposition. In addition, in its new interpretation parliament will essentially cease to exist politically, becoming an exclusively "law-adopting" authority. Which, considering the deplorable experience of its predecessors, is even for the best, possibly.

3. In Place of a Postscript

The most palpable shortcoming of the future corps of deputies, perhaps, will be the nonrepresentation (or, more precisely, the insufficient representation) in it of all strata of society. This applies primarily to the entrepreneurs, who, unfortunately, have simply been unable to formulate a full-fledged platform for their political association. The New Generation movement, which initially was very assertive in making its presence felt, has not moved beyond political declarations. As of today the "children of the asphalt" have not even converted themselves into a party. And if the revisions to the Election Code according to which only party slates may compete for seats in parliament are made, the people of the new generation will remain on the sidelines of the election race. They have, for that matter, somewhat other concerns at this time: the struggle for the redivision of property. In addition, with the traditionally negative perception of private entrepreneurs by the mass consciousness, they should hardly expect the support of some in any way significant part of the electorate. The positions of the agrarians, who are represented on the political stage by the People's Cooperative Party, are somewhat more preferable. The simplicity and intelligibility of the ideological precepts of the People's Cooperative members plus the many organizational possibilities of the ramified network of Kazakh consumer cooperative society structures could bring their nominees some success. But the paternalist mood typical of our countryside will, most likely, play to the interests of the local state-bureaucratic elite.

On the whole, the "nomenklatura party"—the most cohesive and flexible political force of our society at this time—will thus be predominant in the new parliament. It is hard to predict how long- lived this parliament will be. But one thing is clear: The executive will not have to expect any particular "surprises" from it....

Events Relating to Constitution Analyzed

954F3014A Almaty NOVOYE POKOLENIYE in Russian Aug 95 No 28, p 4

[Article by Bulat Rakhimbekov: "Passions Over the Constitution: The Way It Was"]

[FBIS Translated Text] Foreign investors will risk their capital more willingly if legislative stability sets in in society and the political "waves" calm down. Right now, many entrepreneurs are looking attentively toward Kazakhstan, where on 30 August a referendum is to take place. "Is the new Constitution to be or not to be?" A truly Hamletian question. Let us analyze the events of the past month: They are not only dramatic, but instructive as well....

Immediately after the draft Constitution of the Kazakh Republic was published in the press, the president gathered journalists together at his new residence. All of the mass media were invited: local and foreign, left and right, large and not very.... And it soon became clear why at the press conference, in a refrain like an incantation, the same words were repeated over and over: "I ask you very sincerely to support the Constitution." What, one might ask, does the president have to worry about? Three months ago, the complaisant voters—as indeed is accepted practice in post-Soviet Asia—voted to extend the president's powers to the end of the century. So it is as if they were giving him carte blanche in advance.... So the latest demonstration of the people's will with the approval of the Constitution now looks like no more than a pleasant formality....

But, evidently, some thought gave the president no rest. To such an extent that he asked for support immediately, in that very hall. And he received it on the spot—from the most loyal. There were also, for all that, more cautious answers: It would be necessary to work a little with the text—and definitely with a pencil in hand. This answer suited the president completely, and he even joked, "I will fly off on my vacation—with your permission." The journalists magnanimously let him go. And now it turns out that they should not have....

Literally a couple of days after his departure on vacation, six of the 10 justices of the Constitutional Court, led by Chairman M. Baymakhanov, "dropped the bomb": They found that "in the draft constitution, the scope of rights and freedoms of man and citizen has been noticeably narrowed, and the principle of separation of powers has been distorted. All of this does not give grounds for recognition of the proposals of the constitutional model of the Kazakh Republic as a fully democratic and law-based state."

They believe, not without grounds, that constitutional reform should proceed from the level reached by the Constitution of 1993 toward the expansion of personal rights and freedoms and the consolidation of democratic institutions—not to turn back to the "Brezhnev," or even worse, the "Stalin" Constitutions....

No sedate discussion in the style of party times was forthcoming. The press set to work in various ways commenting on, not so much the draft itself as the "letter of the six".... Especially since the justices did not shy away from meetings with the press. On the contrary, they willingly elucidated their position.

For example, great doubts were raised in the justices by Article 22—on freedom of conscience, religion, and the proclamation of religious views. In the opinion of the elaborators, all this should not "condition or restrict general human and citizens' rights and obligations before the state." In the current Constitution, there is no such clause. And it allows for the introduction of a service alternative to the military, as is the practice in the democratic states. "But the present draft cuts off this possibility completely," stressed the deputy chairman of the Constitutional Court, Doctor of Juridical Sciences I. Rogov. It is true that Article 36 says that military service may be carried out in many forms. But after all, this is in fact military service, and not an alternative to it. There are some confessions that even prohibit taking the oath. Therefore, freedom of conscience for their representatives remains inaccessible. What follows from this is not hard to imagine: first "persuasion" at the military commissariat, then prison or the "loony bin."

I. Rogov's colleague, Constitutional Court Justice V. Malinovskiy, has over the course of 10 years taught constitutional law at some institutes. And he is perplexed as to how it is possible thus to "pick up" the judicial power—to please the executive?

It is contemplated in the country to introduce a new institution—the Supreme Judicial Council. It is contemplated that it will be headed by the president himself. But the head of state also has not a few other duties.... And in reality, it will be the minister of justice, Naghashybay Shaykenov, who will get the chairman's seat. It is intended that the appointment of judges, both in the capital and in the provinces, and disciplinary action, should be "conducted" through the Supreme Judicial Council, and de facto through the Ministry of Justice.... Thus, a member of the Cabinet of Ministers will receive real levers for the management of the "third" power.

....Having received unexpected support, the opposition—which had perceived in a very skeptical way the results of the recent demonstration of the people's will—bestirred itself. Ye. Zhovtis, a human rights activist well known in the republic and executive director of the Kazakhstan-American Bureau on Human Rights, noted, not without sarcasm: "Everything has been predetermined ahead of time. The Constitution that is on stream now will be adopted, and in the form in which it is presented....for the people have a mechanism for realistic control neither of the progress nor of the results of the referendum...."

Along the way, some utterly entertaining details were cleared up. It turns out that members of the Constitutional Court (and among them not a few authoritative scholars) were practically barred from working on the Basic Law. They received information on it "in semi-underground fashion," from jurists regularly "invited" to see the minister. N. Shaykenov's work schedule sometimes broke down, and the scholars were forced to sit for hours in the waiting room. Or saunter through the building, in which not only the Ministry of Justice is located, but also the Constitutional Court.... "We thought that we would at least be invited at the moment when members of an expert group from France arrived in Kazakhstan," Igor Rogov says in perplexity, "But the session took place behind closed doors...."

So what is this? Is it just that "foreigners will help us," and they are the only authoritative ones for us? No, it is not just that. Minister Shaykenov is doubtless a man who is talented, proud, and not without diplomatic abilities..... At the Assembly of Peoples of Kazakhstan (an organ with not very clear rights and obligations—in exchange for the disbanded parliament) he introduced the author of the Constitution: "This is President Nazarbayev; we all merely helped him...." Independent jurists with whom I have had occasion to talk name two "real" authors—the minister himself and K. Kolpakov, the president's representative in the former parliament, who proved himself to be a fairly flexible bureaucrat and a man with conservative convictions....

So the attack on human rights is most likely his "contribution" to the general business. While judicial reform, neatly concealed in the interests of the department, is doubtless the minister's service. Especially since there is also a personal vested interest in this.

....For several months, B., former head of the municipal justice administration, dismissed by the minister, has been hanging around the judicial buildings. Whether he was properly dismissed is another question. But B. insisted that his matter be considered in the Supreme Court, which is not today formally subordinate to the minister. But even there, they did not take up the case: It is very "unusual" to go to law with the minister. Then B. appealed to the Constitutional Court with the demand to look into the norms and rules that do not allow him to stand up for his cause. But the court winded up in a blind alley: The minister did not respond to their inquiries and did not produce the documents. That is, he simply ignored the law. But if the new Constitution is adopted, then everything will be fine—any judge, head of a regional Justice Ministry office, will depend only on the inclination of the head of the department....

What has been the reaction of the authorities? Justice Minister Naghashybay Shaykenov is comporting himself with sangfroid; all accusations of dictatorial behavior he rejects utterly. At a recent press conference, he went on the counterattack, declaring that the justices of the Constitutional Court had violated the law in promulgating their position before the adoption of the Basic Law had taken place. Moreover, according to him, he had repeatedly proposed that the justices of the Constitutional Court "participate in the reform," but that they had refused, justifying this precisely by a desire to retain their independence. Of course, when two branches of power maintain the exact opposite, that is to its benefit as a whole. However, it must be borne in mind that in the republic there is a specific attitude toward the Constitutional Court. After all, it was according to its ruling that the parliament, which had existed peacefully for a whole year, was disbanded. But the court— after an almost lengthy examination—found the elections illegitimate, and the people's elect had to pack up their suitcases.... Despite, incidentally, the objections of the president. So it was exceedingly rash on the part of the executive branch to take the justices of the Constitutional Court beyond the framework of the lawmaking process—however that fact might be interpreted today. But Nazarbayev is one of those politicians who know how to turn his mistakes to his own success....

Upon returning to Almaty, the first thing he did was to sit the implacable opponents down to the negotiating table, having exacted their word that they would not appear in the press with an expose interview. The conciliatory commission, after long debates, adopted the draft that is to be approved at the referendum. Of the 95 articles of the Constitution, amendments were made to 55. The main piece of news is that the Constitutional Court is abolished, and in its place will appear a constitutional council, with many fewer powers.

And one more sensation, which is now being commented upon in lively fashion in Kazakhstan's mass media: One of the main "disturbers of the peace," deputy chairman of the current Constitutional Court Igor Rogov, has handed in his resignation. He has received a new appointment: assistant to the president on legal issues.

Petroleum Export Problem Goes Unresolved

954F3017A Almaty PANORAMA in Russian
5 Aug 95 No 31, p 6

[Interview with Nadir Nadirov, member of the National Academy of Sciences and the Republic of Kazakhstan Engineering Academy and distinguished oil worker of the USSR, by PANORAMA correspondent Yaroslav Razumov; place and date not given; under the rubric "'Oil': There Is Currently No Clear Prospect for Resolving the Problem of Transporting Kazakhstan Oil"]

[FBIS Translated Text]

[Razumov] Nadir Karimovich, what would be your general appraisal of the current state of affairs with respect to the transportation of oil produced in Kazakhstan?

[Nadirov] I would characterize it as very difficult, with prospects currently being unclear. There are two aspects to this problem. One is delivering our oil to world hydrocarbon raw material markets. The other is internal transportation, that is, getting the oil from the oil fields where it is produced to the refineries.

It is common knowledge that during USSR times oil-producing and oil-refining industries were structured without taking into account republic borders and interests, on the principles of pragmatism— whatever was expedient at the moment. Oil refineries in Pavlodar and Shymkent were mostly oriented at processing Siberian oil. While our oil from oil fields in the western part of the republic mainly went to plants in Russia for refining. The pipeline structure scheme was designed on these premises. In that situation, this scheme provided a solution to the problem of delivering crude oil to refining centers.

With the disintegration of the USSR the situation changed dramatically. Now internal pipelines are not being utilized to full capacity. For instance, the Omsk-Pavlodar-Shymkent pipeline, which carried oil from Siberia to our plants, currently is utilized at less than 50 percent of its capacity, and the southern pipeline— less than 90 percent. If we compare the current situation with these pipelines' design capacity, that is, the capacity envisaged when they were built, you can say they are practically idle. But their maintenance expenses are the same. Right now the revenue generated by the pipelines is considerably lower than the expenses for their maintenance. Where are we to get the money for their maintenance?

The cause of the current situation are the notorious nonpayments and the decline in production of hydrocarbon materials. In addition, the quality of oil being transported via pipelines has deteriorated—it contains large quantities of chloride salts. Because of which, by the way, Russia, whose pipelines Kazakhstan uses to deliver its oil to foreign markets, last year levied a fine of more than $1 million on us.

To solve this problem, it is necessary to build an internal main along the Kenkiyak-Karakoin route. This would allow us to refine West Kazakhstan oil in our own refineries, which are also currently operating below capacity, instead of sending it to Russia.

[Razumov] But our refineries are technologically geared for Siberian oil....

[Nadirov] Yes, theoretically they are designed for Siberian oil. Processing Kenkiyak-Zhanazhol oil there will require adding hydropurification units. The plant was being readied for reconstruction, but life forced the Shymkent refinery to process Kazakhstani oil without modernization.

The existence of the Kenkiyak-Karakoin pipeline will allow us to connect almost all Kazakhstan's oil producing and oil refining capacities. And if in the future a pipeline is also laid from to west to Kenkiyak, the Atyrau and Mangistau Oblast oil fields also will be brought into one single all-republic system of production and processing of hydrocarbon materials.

In addition to complications associated with the operation of internal pipelines, the problem of our republic's access to foreign oil markets is becoming increasingly topical. Kazakhstan is still in a state of euphoria over the awareness that we are potentially one of the world's largest oil exporters. In terms of possession of hydrocarbon material reserves the optimism is justified— Kazakhstan's prospected oil reserves alone amount to more than 2 billion tonnes. This by itself, however, does not provide sufficient grounds for optimistic forecasts. First of all for the reason that the question of transporting the oil produced in Kazakhstan to world markets still has not been resolved. This is a serious problem for our entire economy, and it is already beginning to dampen the interest of some foreign companies in Kazakhstan's oil potential.

[Razumov] Lately, the Russian and foreign press have been actively discussing different options for delivery of Kazakhstani oil to world markets. One even hears about the scenario of laying a pipeline to the south of Kazakhstan, towards China.

[Nadirov] One hears different, sometimes completely absurd scenarios. Those that are discussed on a serious level usually involve several directions: Russian, Turkish, Iranian. For instance, one of the first was the scenario of bringing Tengiz oil over the Caspian Sea by tankers to northern Iran, which is experiencing a certain energy deficit. There our oil would be refined for local needs, and the Iranians in exchange would give us from their southern ports an equal quantity of oil for delivery to the world market by the cheapest transportation available—tankers. Later, however, this project was dropped from consideration.

Another scenario that is not very likely is to lay the Tengiz pipeline along the eastern shore of the Caspian Sea, through Turkmenistan and Iran to Turkey. This is a grandiose undertaking and would perhaps even pay off in some remote future. But, costs aside, will the United States agree to have the oil, produced at a joint Kazakhstani-Iranian enterprise, dependent on Iran's control of the faucet?

There was also the following scenario. To connect the existing Baku-Groznyy oil pipeline with the one that goes from west Kazakhstan to Astrakhan. To run a new branch from Baku to Iranian Tebriz, and from there—as in the option above. But because of a number of reasons, including the war in Chechnya, it has become unrealistic.

[Razumov] One can assume that the Iranian scenario of transporting Kazakhstani oil is unlikely to become viable in the near future. Which means that oil will flow from Kazakhstan in the western direction. Through which countries, however?

[Nadirov] Competition for the oil transportation route to the world market continues; what remains is not only the question of big economics, but also big politics. Turkey is conducting a major effort in laying a new pipeline through its territory: Baku-Seihan (the Turkish terminal on the Mediterranean Sea). It is assumed that the transportation of not only Azerbaijani oil but also oil from all the Central Asian republics, including Kazakhstan, will be carried out via this pipeline.

As an alternative to this scenario, a technical-economic substantiation was prepared (cost—$600 million) for a 300 km oil route which will connect the Black Sea city of Burgas (Bulgaria) with the Mediterranean port of Aleksandropoulis (Greece). The new project envisages delivering oil produced in Central Asia and the Transcaucasus by tanker from the Russian port of Novorossiysk to the Bulgarian city of Burgas, and then via the aforementioned pipeline to the Aegean Sea, that is, the world space. Specialists believe that the pipeline (trans-Balkan) will be at least 10 times cheaper than the one envisaged to run from the Caspian Sea shore, bypassing Russia, through the entire territory of Turkey. It also is in the interests of Russia, because Turkey has limited the passage of ships through the Bosporus and Dardanelles. There is a pipeline running from Baku to Novorossiysk through Groznyy; its capacity is insufficient, however. The proposal is to build a second pipeline— along the northern Caspian to Novorossiysk, to pump the oil from Tengiz. The first segment of this pipeline, from Tikhoretskaya to Novorossiysk, costing $300 million, was to be brought on line in 1997. Unfortunately, for a variety of objective and subjective reasons the work is lagging behind the contract schedule.

[Razumov] Which of these options, in your opinion, might Kazakhstan choose?

[Nadirov] The republic will have to make a decision on this matter very soon, because major pipelines and all the accompanying infrastructure take a long time to build. Kazakhstan intends to produce up to 40 million tonnes of oil a year as early as the year 2010. In choosing the oil pipeline route, a positive factor is the minimal number of countries participating in the project, political stability and geographic conditions in these countries, and the total length of the pipeline.

As to two particular scenarios—the Turkish and the Greek- Bulgarian-Russian, if the former is to be implemented, the partners, mainly oil suppliers, must be assured of political stability in Turkey. The world community has witnessed the years of war waged by the Turkish Government against their own people in Turkish Kurdistan, as well as in Iraqi Kurdistan, under the pretext of exterminating armed commandos of the Kurdish Workers Party (KRP). Politicians link the bitter fighting this year alone in southern Kurdistan, where dozens of soldiers of the Turkish Army and Kurdish Workers Party commandos, as well as hundreds of the peaceful population, die every day, with the fight for possession of the territory, through which the planned pipeline is to run.

In conclusion, I want to emphasize once again that, without exaggeration, the future of Kazakhstan's oil industry and to a large extent of its entire economy depends on the solution of this problem.

Choice of Petroleum Export Routes Examined

954F3023A Almaty AZIYA-EZH in Russian Aug 95 No 3, pp 1-2

[Article by Umirserik Kasenov, director of the Kazakhstan Institute of Strategic Research under the president of the Republic of Kazakhstan, under the rubric "Burning Topic": "Where Will Kazakhstan's Oil Flow? Versions of Routes for Oil Export Mainlines"]

[FBIS Translated Text] Kazakhstan is extremely rich in oil. The reserves of known oil fields are estimated at no less than 2.6 billion tonnes. While in 1993 the republic produced 23 million tonnes of oil, by the year 2000 it is planned to increase production to 45 million tonnes, and by 2010—to 70 million tonnes a year. The realization of these plans should provide for a growing influx of petrodollars into the republic.

A serious obstacle is the fact that Kazakhstan does not have its own oil export pipeline and Russia has introduced strict quotas on the amount of oil the republic can deliver through its oil pipelines. And the internal network of pipelines in Kazakhstan is not developed.

In the foreseeable future Kazakhstan oil will be exported mainly through the territory of Russia to Novorossiysk. But as oil production increases in Kazakhstan, Russia's capabilities of transporting it through its territory will decrease. This is conditioned not only by the limited handling capacity of Russia's oil pipelines, but also by the competition factor.

Oil and gas exports are the main source of foreign exchange revenues for Russia and they keep a considerable proportion of the Russian economy afloat. Why should it contribute to the entry of competitors into the world market?

Taking this into account, Kazakhstan is objectively forced to seek alternative ways of transporting its oil.

West Kazakhstan-Novorossiysk

The Caspian Pipeline Consortium, which includes Kazakhstan, the Russian Federation, and Oman, was created in 1992. With regard to the third participant in the consortium, what is meant is not the Sultanate of Oman but the offshore firm Oman Oil Company, which is registered in the Bermuda Islands. But officially it is called Oman, and that is what the newspapers call it.

The purpose of the consortium is to build a pipeline from west Kazakhstan to Novorossiysk and to deliver oil from there to the world markets. The overall length of the new pipeline from the Kazakhstan oil fields to the terminals of Novorossiysk is 1,600 kilometers, and the handling capacity—56 million tonnes of oil a year. The Tengiz-Novorossiysk oil export pipeline should be built during 1996-1998 and provide for exporting Kazakhstan's oil, including the Tengizchevroil Joint Venture. The plan includes two construction phases: the building of the new branch of the pipeline through territory of Russia and the construction of new terminals and modernization of the port of Novorossiysk. The first phase should be completed in 1996, and the second—in 1998.

But the construction of the oil pipeline is proceeding quite slowly. So far the section from Tikhoretskaya to Kropotkin (250 km) has been built, but the line from Tengiz to the Black Sea which is 1,500 km long has yet to be built.

Everything depends on financing, which is to be provided by Oman, which owns half of the shares in the consortium. The contribution of Kazakhstan and Russia is in the form of the land through which the pipeline passes and part of the existing pipeline of the American Chevron Company, which has expressed its readiness to pay half of the costs of completing the project in exchange for 25 percent of the shares. The KTK [Caspian Pipeline Consortium] refused. So far it is not altogether clear whether the third participant in the consortium will be able to find funds sufficient for building the Caspian pipeline.

The construction of this pipeline takes Russia's interests into account and therefore it is fairly realistic and could be carried out in the shortest possible period of time, which is in Kazakhstan's interests as well. But in the more distant future, when oil production in Kazakhstan passes the 60 million tonne mark, there will be serious problems with the transportation of oil over the Black Sea. This will be related mainly to the fact that beginning 1 July 1994 Turkey started restricting the passage of large oil tankers across the Straights of the Bosporus and the Dardanelles, based on the interests of providing for the ecological safety of Istanbul.

Turkey is Russia's competitor for the transportation of the oil of Azerbaijan and Kazakhstan. If the Baku-Geyhan (Turkey's Mediterranean port) pipeline is built and put into operation and, after UN sanctions against Iran are removed, the Kirkuk-Yumurtalyk oil pipeline goes into operation, the overall volume of transit oil expressed in value could reach $14 billion a year. In this case Turkey would annually receive $500 million in net income, not counting the 3 billion in savings from reducing oil imports.

Russia, not wanting to lose this juicy and extremely significant piece of revenue from the transportation of oil from the Caspian region across its territory and, the main thing, its still existing although considerably weakened control in the regions of Transcaucasia and Central Asia which are extremely important to it, in the spring of 1995 along with Greece and Bulgaria came out with an initiative to build the Burgas-Alexandroupolis oil pipeline.

The main idea of the construction of this oil pipeline was to bypass the Bosporus and the Dardanelles because of Turkey's introduction of restrictions on the passage of large oil tankers and to ship the oil from Novorossiysk to the Bulgarian port of Burgas, and then pump it by pipeline to the Greek sea terminals in Alexandroupolis. The length of the pipelines would be 300 km, the cost—$700 million. It could be constructed in three years.

The initiators of its construction—Russia, Bulgaria, and Greece—give assurances that the cost of this oil pipeline will be at least 10 times less than the cost of the oil pipeline that Turkey proposes to build across its territory, bypassing Russia. The main argument is that building the pipeline through the mountain territories in Turkey will require large expenditures on the purchase and installation of special complicated mechanisms to regulate the pressure in the pipes.

At the same time they give assurances that the countries of the European Union have already given their "preliminary" political consent to the project of the Transbaykal pipeline. If all the interested parties accept the proposal to build the pipeline, the largest European banks are prepared to issue credit at reduced rates. This readiness is explained by the fact that, according to the predictions of many specialists, the dependency of the countries of the European Union on oil exports from the regions of Central Asia will increase sharply over the next 25 years.

Kazakhstan-Azerbaijan-Turkey

Turkey is showing special interest in the transit of oil from Azerbaijan and Kazakhstan across its territory. The Turkish- Azerbaijani agreement for the construction of the Baku-Geyhan pipeline was signed in Ankara. Its distance would be 1,920 km and the anticipated handling capacity—50 million tonnes of crude oil a year. It is anticipated that the construction would cost $3 billion. Turkey has announced that it will finance all of the construction of the pipeline on its territory.

Taking advantage of the existing oil pipelines Atyrau-Astrakhan- Groznyy-Baku, Kazakhstan could export oil beyond them to the oil terminals of the Turkish port of Geyhan, thus gaining access to the Mediterranean Sea, from where Kazakhstan oil could easily end up on the world market.

Another version has the oil going directly across the Caspian Sea by pipeline or tankers. Development has already been completed on a plan for a pipeline on the bottom of the Caspian—between Mangyshlak (Kazakhstan) and Apsheron (Azerbaijan)—which would join with the arterial between Baku and the Black Sea ports of Georgia and then go to Turkey.

The joint declaration on further development and deepening of cooperation between Kazakhstan and Turkey signed by Presidents N. Nazerbayev and S. Demirel in Almaty at the end of 1995 confirms that the parties will continue to cooperate in order to study the technical, financial, and other aspects of the building of a pipeline to the Mediterranean Sea across the territory of Turkey in order to transport Kazakhstan's oil to the world market.

In order to realize the pipeline project it is planned to create a consortium in which Russian oil companies could participate. As N. Nazerbayev emphasized, "This will be a short path for the access of Kazakhstan's oil to the world market."

Turkey is proposing that Kazakhstan transport oil across its territory, justifying this primarily by the fact that this version would be considerably cheaper and thus more profitable. According to calculations of the Turkish National Oil Company, the transportation of a tonne of oil delivered from fields in Kazakhstan to a consumer in Geneva could cost more than $6, but through Turkish territory— little more than $3. That is, the losses of revenues from the possible export, for example, of 40 million tonnes of Kazakhstan's oil could amount to about $120 million.

In order to deliver Kazakhstan's oil to world markets through Turkey it is necessary to connect the oil fields of Kazakhstan to Azerbaijan's oil transportation system. Then the shortest route for the oil pipeline from Azerbaijan to the Mediterranean Sea is through Armenia and east Turkey. But the still unregulated conflict between Azerbaijan and Armenia over Nagorno-Karabakh makes this route unfeasible in the foreseeable future. Another version involves passing through Georgia, but it also involves the conflict with Abkhazia.

Nonetheless in the first half of 1995 Caspian consortiums stepped up negotiations with the Governments of Georgia and Turkey concerning the possibility of transporting oil across these countries to the ports of Poti and Batumi (in Georgia) and then to the Mediterranean ports (in Turkey).

It is obvious that the activation of these negotiations was related to the fact that the Western oil companies do not have sufficient confidence in the security of the oil lines on their route through the Northern Caucasus (where most of the oil and gas lines connecting the republics of the former Union to the Azov-Black Sea and Danube ports are concentrated) because of the war in the Chechen Republic. Russia brought its armed forces onto the territory of Chechnya, which ended up in an extremely fierce war in this part of Russia, pursuing, among others, the objective of providing for security of the Baku-Groznyy-Novorossiysk oil pipeline.

It is worth noting that in July 1995 the leaders of Turkey and Azerbaijan made a sensational announcement to the effect that there could be no other versions of the transportation of oil except through Turkey.

It has been observed recently that the positions of Azerbaijan, Georgia, and Turkey with regard to the selection of a route for the oil export pipeline for transporting oil from the Caspian region are coming closer together. There is discussion of transporting it to the Georgian ports of Batumi and Poti on the Black Sea and from there by tanker to the Turkish coast and after that through the oil pipeline which is supposed to be built across all of Asia Minor to the Turkish port of Geyhan on the Mediterranean Sea.

The chances that this version will be realized are rather good and they are linked to the fact that the United States categorically refuses to accept the alternative version of delivering Azerbaijan's oil through Iran, the path through the Bosporus and the Dardanelles is restricted by Turkey, and Azerbaijan is still unwilling to agree to transport the oil through Novorossiysk.

But Turkey also has a problem with ensuring the security of the future pipeline on its territory. The Kurdish rebels who are active on its territory could carry out acts of sabotage on the route of the future pipeline. The Zarya operation which in the spring of 1995 was conducted by Turkey in the north of Iraq against the Kurds using tanks and aircraft was aimed primarily at demonstrating its capability of controlling the territory through which the oil pipeline would pass.

A considerable role in the final solution to the problem of the route of the future oil export pipeline from the Caspian region will be played by the United States. The main objectives of the United States in exporting oil from Azerbaijan and Kazakhstan is to protect the interests of American oil corporations that are investing their capital in these new independent states. Based primarily on this, the United States has officially supported the plan for construction of the oil pipeline from the region of the Caspian Sea through Turkey and has made the states of the region aware of this. Among other reasons for this approach on the part of the United States is its hostile attitude toward Iran and the agreement reached between Iran and Turkey concerning the construction of pipelines through their territory.

Christine Shelly, the deputy to the official representative of the U.S. State Department, announced, regarding the American policy with respect to Iran: "Our policy is to block projects that could be advantageous to Iran from a political and financial standpoint. We want to exert pressure on Tehran, forcing it to change its behavior, which is now unacceptable. Iran supports terrorists who try to undermine the Near East peace process, is trying to acquire weapons of mass destruction, and is taking actions aimed at undermining regional governments."

Which plan is preferable: the Greek or the Turkish? The length of the "Greek" pipeline is 300 km, and the "Turkish"—2,000. The "Greek" pipeline is to go through the territory of states with stable political regimes: Bulgaria and Greece. The "Turkish"— through eastern Turkey, where Kurdish rebels are active and fighting for the creation of an independent Kurdistan.

From an economic standpoint, attention is drawn to the fact that the mountainous relief on Turkish territory makes each kilometer of pipeline much more expensive than in the "Greek" version.

All this is true, but the "Greek" version has its minuses as well. From Novorossiysk to Burgas the oil has to be transported by tanker, which increases the cost of transportation of the oil and increases the ecological danger to the Black Sea. And from Baku to Novorossiysk the shortest route could go through Dagestan and the Northern Caucasus, which is unstable on the whole.

Kazakhstan-Turkmenistan-Iran

The close geographical proximity makes it possible to deliver Kazakhstan's oil both through the Caspian Sea and through the territory of Iran. In terms of purely economic considerations the Iranian version is the least expensive. There is already an Iranian-Kazakhstani protocol that envisions the construction of an oil pipeline linking the Tengiz fields in Kazakhstan to the port of Aktau on the Caspian. In order to deliver oil through the Iranian port of Bandar-e Anzali to the Caspian to the oil refineries of Tehran, Tabriz, Arak, and Esfahan it would be necessary to build an oil pipeline only 100 km long.

Another quite feasible route for an oil export pipeline would be through the territory of Turkmenistan to Iran. By the year 2002 Turkmenistan intends to increase gas production to 120 billion cubic meters, and oil production—to 28 million tonnes. Therefore Turkmenistan is also interested in the construction of a gas and oil pipeline, especially in the southerly direction.

In keeping with the concept for the development of the oil and gas industry of Turkmenistan, it is proposed to build an oil pipeline on the route of Turkmenistan-Iran (Persian Gulf), in addition to the three gas lines. This will make it possible to transport up to 14 million tonnes of crude oil a year and significantly increase the country's export revenues.

In order to create independent access from Turkmenistan to the world market a consortium has been founded for building pipelines for oil and gas. Turkmenistan and Iran have already concluded an agreement for the construction of a transcontinental pipeline through Iran and Turkey and they are looking for investors to carry out this project.

The transportation of oil to Iran through the territory of Turkmenistan is preferable since the route is much shorter than through the Caucasus. If it is transported via the Caspian Sea, this would require creating a large tanker fleet, which in and of itself would cost a great deal of money and its utilization would threaten the fragile ecosystem of the Caspian.

Oil Pipeline West Kazakhstan-Kumkol

A priority task for Kazakhstan is the construction not only of main oil export pipelines but of also internal pipelines. Their absence impedes the growth of oil production in west Kazakhstan and continues its dependence on deliveries from Russia. At the present time for various reasons (economic and noneconomic) Russian oil is delivered with interruptions to the central and southern parts of the republic where, correspondingly, the Pavlodar and Shymkent oil refineries are located.

Yet Kazakhstan has large reserves of oil and gas not only in its western part but also in its southern part. Thus in Kzyl-Orda Oblast the projected and recovered oil reserves are estimated at 250-300 million tonnes, and gas—more than 100 billion cubic meters. This oblast's balance sheet includes the large Kumkol fields, whose oil reserves are estimated at 89.4 million tonnes of oil and 8.75 billion cubic meters of gas.

The oil pipeline from west Kazakhstan to Kumkol, the decision for whose construction was adopted recently, will make it possible to quickly deliver large volumes of Kazakhstan's oil to these refineries. In order to develop the internal network of oil and gas pipelines, the Kazakhstan state holding company Munaygaz and the International Pipeline Company (Saudi Arabia) on 12 June 1995 in Almaty signed a memorandum concerning mutual understanding regarding principles of the creation of a public joint company.

The purpose of this future company would be to participate in the construction of the oil pipeline west Kazakhstan-Kumkol-Pavlodar- Shymkent and the gas pipeline Aksay (Karachaganak)—Krasnyy Oktyabr with subsequent access to Akmola and Chelkar (North Aral Sea) with a connection to the Bukhara-Ural gas pipeline. In the future it is planned to build an oil pipeline Pavlodar-Semipalatinsk-Ust- Kamenogorsk and Pavlodar-Akmola-Karaganda-Shymkent-Almaty.

The realization of these projects will make it possible to fully satisfy Kazakhstan's domestic demand for oil and petroleum products with its own supplies and thus to solve the problem of making the republic independent with respect to energy.

Kazakhstan-Far East

The construction of a developed internal network of oil and gas pipelines through which oil and gas from west and south Kazakhstan would be delivered continuously and in large quantities to east and southeast Kazakhstan would create favorable preconditions for realization of the idea of exporting oil and gas to Japan and South Korea through the territory of China.

Of course this is a project for the 21st century, but it has already been discussed during visits by President of the Republic of Kazakhstan N. Nazerbayev to Beijing, Tokyo, and Seoul and at the present time it is being worked on at the level of experts.

The realization of the plans for the construction of oil and gas pipelines from Central Asia to the Far East could radically change the directions of energy flows on the globe and, consequently, the contours of international economic relations, with all the geopolitical consequences that ensue from this.

[Begin box]

Afterword

So Kazakhstan is rich in oil, but an influx of petrodollars is possible only if it is delivered to the world market. Several versions of future oil pipelines from Kazakhstan are being proposed and discussed. It turns out that their realization will depend on the following factors:

-financing,

-security of routes,

-competition from oil producing states,

-the geopolitical interests of the states.

In this context the problem of transporting Kazakhstan's (and Azerbaijan's) oil can be characterized as extremely complicated. From the geographical and technical standpoints it is quite possible to construct pipelines for its transportation to the oil terminals of the Black and

Mediterranean Seas or the Persian Gulf. But competition, the divergence of the geopolitical interests of the states, and conflicts in the regions through which the oil pipelines could possibly pass make their construction more complicated.

Competition between Russia and Turkey and Iran and Turkey, the obstructionist policy of the United States with regard to Iran, Russia's desire to maintain its geopolitical control in the Caucasus and Central Asia, the conflicts between Azerbaijan and Armenia and within Georgia, and the Kurdish movement in Turkey—these are the main factors impeding the realization of the aforementioned plans for oil pipelines.

In these conditions, Kazakhstan can do nothing more than concentrate on the construction of internal pipelines in order to provide for its own energy independence and contribute to the construction of oil export mainlines along routes that are the most feasible for the foreseeable future. Obviously this means the oil pipeline to Novorossiysk and, as favorable preconditions are created—through Azerbaijan and Turkey and Iran, and in the more distant future—through China to the Far East. Kazakhstan's oil reserves are sufficient for all of these routes.

In parallel, it is necessary to expand the possibilities of refining oil and developing petrochemistry in the republic in order to satisfy internal needs for petroleum products and to provide for exporting them. [end box]

Fight with Increasing Economic Crime

954F3071A Almaty KAZAKHSTANSKAYA PRAVDA in Russian 11 Aug 95 p 1

[Article by Natalya Verzhbitskaya, KAZAKHSTANSKAYA PRAVDA: "Economic Crimes Have Increased, and Organizers Are Operating More Cleverly"]

[FBIS Translated Text] A news conference devoted to the activity of the State Administration for Combating Economic Crime was held in the Republic of Kazakhstan Ministry of Internal Affairs [MVD].

V.V. Simachev, first deputy minister of the Republic of Kazakhstan MVD, noted that statistics and available operational information record an increase in crimes in the sphere of economics and their steady nature. For the first six months of 1995, 334 cases of bribe-taking by officials were uncovered, which is 18 percent higher than in the same period last year.

The norms of the law in effect for this crime are outdated. It is impossible to call officials to account for bribery. Criminal proceedings are instituted against bribe-givers on a level with extortionists, and bribes that represent a significant value are confiscated as state income.

A number of decrees recently issued by the president of the republic in the sphere of ensuring legality and law and order have accelerated the activity of the law enforcement organs. About 20,000 commercial enterprises and organizations have been subjected to examination. Six hundred and fifty cases of direct participation in the activity of commercial structures by 960 managers and officials of state enterprises and administrative organs were disclosed. Sixteen hundred cases of illegal use of state resources in a sum of more than 37 million tenge were established. Five hundred and seventy-six mercenary crimes were disclosed. According to the presentations of internal affairs organs, 120 commercial structures were eliminated. However, persons who voluntarily left state chairs and ceased working in commerce remained practically unpunished.

V.V. Simachev paid particular attention to a discussion concerning violations in the financial-credit sphere. Crime- conducive structures were reoriented on activities that were not formally prohibited. The question is one of failure to return loan and credit resources, failure to fulfill contractual obligations, tardy payment of resources to the budget, improper use of credits, and use of currency resources for other than their intended purpose and their transfer abroad. Some $13 billion were distributed by banks under various programs. Of this amount, nonreturns amounted to $32.8 million. The GUBEP [Main Administration for Combating Economic Crime] of the Republic of Kazakhstan MVD intends to arrange coordinated action with banks and to render assistance in keeping them informed about clients, their solvency, and the availability of accounts.

Investigative practice shows that some individual enterprises are established for only one purpose—to receive large credits through banks illegally for future theft. Thus, the director of the private firm Astrom (city of Kurchatov in Semipalatinsk Oblast) received credit in the sum of 2.1 million tenge at various banks of the city of Semipalatinsk, then cashed the money and appropriated it.

The director of the small private enterprise Lada (city of Karaganda), after presenting a forged security note acquired special credit in the sum of 1.6 million tenge at the Karaganda branch of Karagandauglestroy. It is not difficult to guess where the money went—into the director's pocket.

Billions of dollars are transferred to foreign banks. And here the work of our law enforcement organs is already being conducted at the FBI level. But unfortunately, only a meager part of the stolen resources is able to be recovered.

Another type of economic crime is the illegal export of raw materials. Such cases have occurred at the Don ore-mining and processing combine and the Karmet combine. Also being observed is the unwise use of currency resources by some large enterprises of the republic. Thus the Embamunaygaz joint-stock company in 1993- 1994, instead of using currency resources received from the export of oil products to develop production, purchased champagne and confectioneries for totaling more than $2.5 million. In West- Kazakhstan Oblast, during an inspection of the main administration of the Karachaganakskiy field, a case was disclosed of the payment from a currency account of $35,000 for travel authorization to a world championship soccer match.

To the question of what is hindering the GUBEP from more fruitful activity, V.V. Simachev mentioned the inadequate intellectual level of the investigators, which at times prevents the uncovering of well-prepared criminals, and also the shortage of information equipment.

If the workload that falls to our investigators is compared, for example, with their American colleagues, the comparison does not favor the former. The work is exhausting and, in addition, wages of 6,000 to 12,000 tenge do not incline one to great zeal. However, all the aforementioned reasons, in the opinion of one manager of the GUBEP, cannot justify the acceptance of bribes by workers in this system. And they are evaluated as treachery.

Crime in Economic Structure Activity Noted

954F3060A Almaty EKSPRESS-K in Russian
10 Aug 95 p 4

[Article by Aleksandr Shtamm: "Crime Shows Its Character. Persistent"]

[FBIS Translated Text] Over the past year alone internal affairs organs have uncovered 650 incidents of participation by Republic of Kazakhstan senior officials and other persons in official positions in commercial structures' activities.

This information was made public at a press conference in the Republic of Kazakhstan MVD [Ministry of Internal Affairs] devoted to suppression of economic crime. Statistics and operational information show persistently rising crime dynamics in the economic sphere.

There is a growing number of such crimes as bribe-taking. Over the first half-year alone, 334 incidents of bribe-taking by persons in official positions were uncovered, which is 18 percent more than the analogous period of last year.

Since the presidential edict "On Additional Measures in Enforcing Legality and Law and Order" came out (9 June 1994), the activities of more than 20,000 commercial enterprises and organizations have been checked. In the process, 650 incidents of direct participation in commercial structures' activities by 960 senior officials and other persons in official positions have been uncovered. Also established were 1,500 facts of illegal use of state money in the amount of more than 37 million tenge. Crimes involving mercenary gain numbered 576. At the recommendation of internal affairs organs, 120 commercial structures have been liquidated.

Analysis of the operational situation shows that criminogenic structures are increasingly shifting into activities that formally are not banned but nevertheless inflict serious damage on the state economy. Nonrepayment of loans and credit, failure to fulfill contract obligations, failure to transfer on time mandatory payments to the budget, use of targeted credit for purposes other than intended, and use of foreign currency funds for purposes other than intended and their transfer abroad. As a rule, these actions involve embezzlement, bribe-taking, and forgery of official documents, and fall under the jurisdiction of arbitration courts.

Investigation of cases in the financial sphere shows that some enterprises are created with one single purpose—to illegally obtain large amounts of money through banks and embezzle it, which directly fuels inflation in the republic. For instance, the director of the private company Astrom (city of Kurchatov in Semipalatinsk Oblast) received in various Semipalatinsk banks credit in the total amount of 2.1 million tenge, turned the money into cash, and embezzled it. The director of the MChP [expansion unidentified] Lada (Kagaranda), having submitted fake collateral documents, obtained in the Karaganda branch of Karagandauglestroy targeted credit in the amount of 1.5 million tenge and also pocketed the money.

This year alone more than 200 crimes have been uncovered in the banking system, include 43 embezzlements on a large and particularly large scale, and 21 instances of bribe-taking. Criminal charges have been brought against bank officials and employees in Aktyubinsk, Zhambyl, Karaganda, Kokshetau, Pavlodar, Taldykorgan, and South Kazakhstan Oblasts.

Internal affairs organs have also implemented measures aimed at uncovering facts of illegal sales of goods and services for foreign currency in cash. More than 10,000 facilities were checked. The police uncovered 1,700 violations of the edict. For violations of foreign currency operations rules, administrative charges were brought against 1,438 persons. Criminal charges were brought in 150 cases. Funds confiscated from violators included $534,200, 12,600 German marks, and 462,500 Russian rubles [R].

Checks of exporter enterprises revealed that their managers are not taking steps to repatriate foreign currency proceeds. This money remains abroad and is being used outside of any controls. Some of it has been irretrievably lost; tremendous damage has been done to the national economy. For a variety of reasons foreign companies currently owe $96.5578 million for products shipped from Kazakhstan. For instance, four foreign partners have not paid the Karagandaugol state holding company $2.2 million for products shipped; 1 million 376 dollars remain due from a Swiss company, and R292 million from Russian companies for gas condensate shipments. Foreign companies' arrears owed the Tselinnyy Mining-Chemical Combine state holding company amount to $2.3 million. This year alone internal affairs organs recovered more than $30 million owed to exporter enterprises.

Control over the use of foreign currency funds by some large enterprises in the republic remains insufficient. For instance, in April-May of this year 32 violations and abuses were uncovered at 153 exporter enterprises. Nine criminal cases have been opened on instances of abuse and theft.

V.V. Simachev, Republic of Kazakhstan deputy minister of internal affairs, answered journalists' questions.

It is no secret to anyone, remarked a RADIOMAX reporter, that as a result of financial operations a considerable part of credits have ended up abroad. Is there any information on how much money has been transferred and how much has been recovered?

As of now, replied V.V. Simachev, various organizations and enterprises have been issued more than $13 billion in foreign currency for implementation of various programs—both government and private. Arrears and debts amount to $32 million. There is a commission in the Cabinet of Ministers, headed by Mr. Isingarin, which is working with every debtor enterprise. We handle the materials that fall within the responsibility of our main administration or the Sixth Directorate. However, tracking and checking are difficult both in the near and far abroad because there are no agreements in this area with some states. With some, we do have agreements. For instance, with Uzbekistan. We provide comprehensive assistance to each other. Other agreements are too "general." It would be hard to name a state where money could not be transferred these days. In our work, however, everything runs into the same stumbling block—lack of funds, and hence, the impossibility of business travel. We do travel, however, whenever possible. We have visited the United States and worked with our FBI colleagues. In particular, the matter at hand was returning about $3 million to one of our banks.

To the question of a Channel 31 representative regarding the case involving the son of former MVD Minister Shumov, the reply was that the case had been dismissed by the general procuracy due to lack of evidence. It should be noted that this case had been constantly monitored, a special commission was even set up, and everybody had the opportunity to get full information. Therefore there are no grounds to doubt the legitimacy of the decision made by the republic's highest oversight authority.

Other MVD representatives answered a number of questions. Some questions involving sensitive information were either answered "in broad terms" or not answered altogether. But even without this, it was clear that the battle on the invisible economic front is being waged with variable success and, alas, victory is not always on the side of the law enforcement organs....

Karaganda Oblast Chief on Miners Strike

*954F3062A Almaty EKSPRESS-K in Russian
10 Aug 95 p 3*

[Interview with Petr Nefedov, chief of the Karaganda Oblast Administration, by EKSPRESS-K correspondent Stanislav Pesnev; place and date not given: "Nobody Is Frightened by Strikes"]

[FBIS Translated Text]

[Pesnev] The hunger strikes are unending in Karaganda.... Today the miners are going through a reorganization and demanding subsidies. Which position between the miners and the state do you defend?

[Nefedov] As you know, the administration of the metallurgical industry has been taken over by a group of foreign firms, their debts are being settled, and we are hoping that the branch will recover. The situation with coal is completely different. In Kazakhstan there is the large Bogatyr mine in Ekibastuz and there is the Karaganda coal basin, which is now the state holding company Karagandaugol. Bogatyr produces fuel for heating and electric power plants, and it essentially supports Kazakhstan's entire energy system. Karaganda provides coking and power-generating coal. In the first place Karaganda was built not for Kazakhstan but for the USSR. The coking coal went to Magnitka, and the power-generating coal went outside the republic as well. And only part of it was consumed by Karmetkombinat. In the current economic situation we need a certain amount of power-generating coal for energy engineering and coke for Karmet. But what should we do with the rest of it? There is no problem with the coking coal—it will be taken by Magnitka. This means exports and foreign exchange. But what will we do with the power-generating coal—nobody needs it.

[Pesnev] But how did it happen that we are running Karaganda electric power plants with Ekibastuz coal?

[Nefedov] At first we built all our heating and electric power plants with the intention of using our own coal. And later, when Bogatyr went on line, we used it. There was a lot of coal there and it was less expensive. Our power-generating coal was shipped to the USSR. Now there is no longer a USSR and the Karaganda heating and electric power plants have been re-equipped to use Ekibastuz coal. To go back to the way it was before would require an colossal amount of reconstruction of all plants. And then, while Karaganda power- generating coal costs 1,300 tenge, Ekibastuz costs 300. Of course we now say that they are shipping us nothing but ash and they are damaging the ecology. But still the difference is 1,000 tenge! We are considering the problem from a broader perspective, taking into account the calorific value of the coal, etc. We must try to turn our electric power plants back to the way they were before. But this is a long process. Now about subsidies. The miners are demanding that the state subsidize coal which Kazakhstan does not need yet. That is, the money would be taken from you and me and given to them, and they are mining coal that is piling up in the warehouses not doing anybody any good. This has been prevented. The government's position today is this: If the products are sold— good, if not—close down the mine.

[Pesnev] The miners are saying that the Karagandaugol association could support itself were it not for the ballast in the form of taxes and the social sphere.

[Nefedov] The association cannot support itself because, even if, say, it were to sell all its products, this would fail to cover one-third of its needs. It is demanding from the government the part it is lacking—give us money, they say, and we will work. But there is no money, just as there is no point in giving it to them. If we assume that 60,000 workers remain, what will happen to the other 20,00-30,000? There are jobs in the oblast and we can place all of them. But one will say: I do not want to work on a sovkhoz, and another: I do not want to go into municipal services. We suggest figuring out who can be let go and trained in a new area, everyone is doing that, but the miner does not want to. He has already settled in: I have become accustomed to having a job, wages, and a home, and he regards closing down the mine as having everything stolen from him. Others say: Go ahead and close it down but again give us money—for closing it down. What is all this about money. I think it would be quite possible to close down the mine, dismantle everything that needs to be dismantled, and the mine will be flooded of its own accord. Then everything could be restored. Incidentally, flooding is one way of closing a mine down. In general the situation in the coal basin reminds me of the situation with the prolonged construction of the airport. There are 1,850 people working on its construction, but it has no money to maintain them either. They are getting gasoline on credit and the firm is going bankrupt. Their account has been frozen. What can they do? I ask: Why are you keeping 1,850 people, how many do you need for normal operation? They answer: 600-700. But why the extra thousand? They called a trade union meeting: "You do not have the right to reduce our numbers." The wages are going out and the long- incomplete construction is standing still. It is obvious that they will hold on, they will maintain their collective egoism and shout from all the roof tops that they have a trade union, that they will declare a hunger strike, and so forth. The collective egoism says "we do not know anything,"—and the picture is exactly the same at Kargandaugol. Now the association has divided up into independent mines. The idea was that each mine would operate and sell its products independently. Certain mines are going out of business, they are simply going bankrupt. Nobody wants to allow that nowadays. This can be done only if they move to independence smoothly. The basic strategy we are now advocating is not to lose the mines and jobs. How can we help here? In each tonne of coal "sits" 8 percent for the social sphere. We say that it should be added to the balance sheets of the municipalities.

[Pesnev] That is, you really have agreed to release the miners from the social sphere?

[Nefedov] Of course, and that is the way it should be! Why should the social sphere be included in the price of coal? You will never sell it to anybody that way. You and I, the taxpayers, should pay for the social sphere. Through taxes. A new Tax Code is going to be introduced. I agree that since we are not giving the coal miners subsidies, we must exempt them from any kind of taxes. Or make the tax optimal, somewhere around 15 percent. A package of these proposals has been drawn up. This decree is making its way through the Cabinet of Ministers and is being studied. A commission of the Council of Ministers has been working here—the deputy finance minister, specialists, and miners—and the conclusions have been drawn up in the form of a decree. I have spoken with the president about this. Nursultan Abishevich supported me unequivocally regarding the social sphere. Why should the social sphere, with its idleness and inability to compete, and, as they call it, various "snow jobs," be included in the cost? Just take indexation. In 1994 prices in the oblast increased by a factor of 2.6, and the wages of the miners—by a factor of 7.6. That is not indexation, it is more than that. So it turned out that everyone ended up under the burden of decisions made while shouting in the public square. Remember how they pushed through "hoof" and "horn" increments, 66 days of leave, and so forth. Two days on and one day off, holidays, leave....the miners have 176 days off a year. Where does such a thing exist in the world? I have been in Korea: Leave for engineering and technical personnel is three days, and for workers—seven. I am not even speaking about relations in metallurgy: There an enterprise with 8,000 people produces 21 million tonnes a year, while here in the best years they produce 9 million with 35,000 workers. What I want to say is that today in no case should there be any ultimatums. They say the government is not solving the problems, it is not giving subsidies....

The government has said unambiguously: The mines that produce coal for Karmet will survive. All the other mines are in principle unnecessary. We have gobs of coal, so who will support them? We say to the miners: Do you not value your jobs? They stay home from work, they strike, they go hungry. They should go to work immediately. Everything is not all that hopeless. Mine your coal, sell it, set your wages at whatever you like, buy the technical equipment your need. And let that be the end of it! Unfortunately, our mentality dictates that the state absolutely must owe us something. And what does it owe us? However much you have earned, that is how much you should receive. And, incidentally, the psychology is already changing. Among the managers, for example. Since changing over to independence no plan is established for you, jack up your prices as high as you like. If you raise them, your coal will not be bought. And the manager will see for himself that the people are not working. Everything has to be changed. But our opponents want to change things through trade unions and strikes, to make somebody do something.... Nobody is frightened by strikes and threats anymore.

[Pesnev] What most bothers the people who write to the head of the administration?

[Nefedov] Nonpayments is the most terrible problem for everyone. I think it is necessary to work out some kind of mechanism: to defer the debts of the enterprises, perhaps, to the year 2000, or cut them off after the new year, or something.... Because things are getting absurd now. However much you owe us in taxes, that is approximately how much the fines have gone up. For example, if you have owed the budget 1 billion tenge for a month, a fine of 800 million is added to this. That is nonsense. And we will never crawl out of this swamp! We must cut them off and begin with zero. For the mistake was made back when the old ruble was replaced by the "new" one. A mass of old rubles came rushing in here, there was no offsetting, and these debts have increased....

It is necessary to straighten out much mutual indebtedness, but some of the problems can be solved, for example, as they are now solved, by turning large enterprises over to foreign management. But "get rid of" the fine and make it possible for people to get on their feet.

Science Center Focus on Ecology, Children

954F3041A Almaty KAZAKHSTANSKAYA PRAVDA in Russian 9 Aug 95 p 3

[Interview with Zita Mazhitova, pediatrics professor, by Lyubov Shashkova, KAZAKHSTANSKAYA PRAVDA; place and date not given: "The Program for Saving the Aral Is Inseparable From the Needs of People"]

[FBIS Translated Text] I met Pediatrics Professor Zita Khamitovna Mazhitova on the day when the department she created at the Aksay city children's hospital, Ecology and Children, received humanitarian aid from "Doktor Koch," that is, the International Aid Fund (Hilfsfond), of which Professor Koch has been president for 20 years.

Medicines, vitamins, whole "cupboards" of Milky Ways and dietetic food, dishes, blankets, shower heads, laundry and dishwashing detergents, shampoo, medicated toothpaste.... The joy of the children and adults was boundless. But still Professor Mazhitova thinks the main joy and success of the meeting with the Hilfsfond lies elsewhere. The fund helped her to find partners for the introduction in Kazakhstan of a project for rehabilitation of children who have suffered in ecologically unhealthy regions, on which the Urpak (Generation) scientific center which she created has been working for several years. This was the subject of our conversation.

[Mazhitova] Our center carries out development on a scientific basis of diagnosis of diseases caused by unfavorable ecological factors. Our research shows that each disaster zone has its own clearly marked disease because it is caused by the existence of one toxin or another that affects the change in the human organism, right down to the point of threatening the gene pool. Thus examinations of children who have come from the crisis zone of the Aral area show that against a background of retardation of general and sexual development, skeletal deformation, and an immunodeficiency (that is, reduced resistance of the organism), all of them have disturbances of the digestive and urological systems and the respiratory organs.

[Shashkova] It seems to me that children of Almaty Oblast did not have especially healthy respiratory organs either.

[Mazhitova] For Kazakhstan with its chronically polluted industrial regions, this is indeed one of the main diseases. The World Health Organization provides us with pure control figures for comparison. Our department has been in existence for two years already and during this time more than 1,000 children have been through examinations and 1.5 to two months of rehabilitation, and, as we can see, the picture emerges fairly clearly. We need not only modern diagnostic procedures and correct methodology for treatment but also the creation of favorable conditions in the zone of their residence, in this case—balanced conditions for drinking water. The water used in the Aral area is essentially a mixture of magnesium sulfate, that is a weak solution, with which they prepare food, tea....

But here we rehabilitate a child and then return him to the same environment and the same water. What will happen to him after that? Where will the change in the gene pool lead, how will the organism adapt?

[Shashkova] But, after all, there is a fund for saving the Aral, and there are entire governmental programs.

[Mazhitova] But after becoming familiar with these programs I, a physician, was left with the impression that the human being has been forgotten in them. For example, they write that in the Aral region two-thirds of the animals entered in the Red Book have disappeared. But man? No, he has not disappeared and has not died out. But people there are ill from childhood on. We bring in children who are covered with scabs, who are weak, and half-clothed. And 99 percent of them are indigenous population. Are these people really so patient that we can keep prolonging the experiment on them? Why then do we have sovereignty, whom is it for?

As for the fund for saving the Aral, it is apparently doing its work, and, like the International Aid Fund, has brought us gifts more than once. For example, it made up a load of humanitarian aid for Kzyl-Orda and it was shipped to Kamilla Magziyeva, the chairman of the International Hilfsfond in Kazakhstan, with the help of Lidiya Nikolayevna Chernoknizhnaya, president of the Senim-bank. The world is not without good people.

[Shashkova] And your meeting with Professor Koch, Zita Khamitovna, what specifically came out of it?

[Mazhitova] It created the necessary connections for lobbying for my project. After all, as you understand, diagnosis, treatment, and, above all, the determination of harmful factors in the environment and the human organism take equipment. I received complete understanding from the scientists in Germany, Japan, South Korea, and Luxembourg who are helping to acquire the results of analyses so that we can find out which elements have caused disease. A scientist can understand another scientist and a professional can understand a professional. The fund helped me to find partners who understand that it is not one-time aid but the introduction of new equipment and new technologies that will help public health in our republic to restore the health of our children who have become hostages to the terrible experiment in the Aral region and Semipalatinsk....

In conjunction with the International Hilfsfond our Urpak scientific center is now working on this program. We hope the next generations of our children will not carry within them the genetic stamp of disaster.

Kyrgyzstan

Effect of China's Nuclear Testing Examined

95WC0061A Moscow LITERATURNAYA GAZETA in Russian 2 Aug 95 No 31, p 2

[Article by LITERATURNAYA GAZETA correspondent Aleksandr Ivanov: "A Nuclear Breeze From China: What Is It Bringing Kyrgyzstan?"]

[FBIS Translated Text] Bishkek—Kyrgyz scientists have observed that the desert of Takla Makan, where the Chinese nuclear test range is located, is shaken by explosions only in periods when the air masses are directed not toward the interior areas of China but toward its neighbors. This occurs twice a year, as a rule—in the spring and in the fall.

This year, as in previous years, May's nuclear explosion in China brought to the territory of Kyrgyzstan a severe cooling and abundant precipitation. Foliage that had barely appeared was covered with yellow spot and began to thin. Radiation-sensitive firs and pines drooped and turned brownish.

Professor K. Karimov, a scientist well known in the republic, sounded the alarm. Writing in the press, he observed that the Lop Nor tests were having a catastrophic effect on people's health. The level of ailments—of the cardiovascular and respiratory tracts and the blood—is rising sharply. It is usually precisely at this time that the emergency first-aid calls increase in frequency. The tests represent a particular danger for the inhabitants of the Issyk-Kul and Naryn Oblasts bordering China.

All this is obvious, it would seem. Everyone nowadays knows the threat contained in nuclear testing for neighboring regions. And not only them. I see that the Japanese began to worry following Jacques Chirac's decision to resume such testing.

But to know is one thing, to state this publicly, agitating the community, is another. The authorities even on such an islet of democracy as Kyrgyzstan do not care for it all that much when the mood of the masses fails to correspond to their aspirations and shuffles their cards. First, China is a great neighbor. And there is a need to be tolerant of it. Second, Issyk-Kul is our main site, attracting foreigners. Why scare them off? And, third, the Manas anniversary is quite close. Having important visitors from various countries suddenly being assailed with misgivings: Is it not dangerous visiting this region and investing capital in it, is all they need.

A government commission for study of the radiation situation in the republic is taking shape. This commission recently acquainted the public with its astonishing conclusions. The increase in background radiation in the oblasts of Kyrgyzstan bordering China following the Lop Nor blasts is of only a "natural nature." Overall gamma activity in Issyk-Kul and Naryn Oblasts corresponds to the environmental concept of "clean." No fallout of beta-active products in the cities of Karakol, Naryn, and Bishkek was recorded. And, generally, the winds that blow over the Takla Makan desert do not carry air masses to Kyrgyzstan.

It is curious that both Professor K. Karimov's group and the government commission employed in their work used identical equipment. But arrived at directly opposite conclusions.

What is the reason? The set purpose, evidently. Having debunked K. Karimov's "inventions," the commission declared that his material on the inauspicious radiation situation in a number of oblasts of Kyrgyzstan caused by the nuclear testing at the Lop Nor range does not correspond to a strengthening and development of the interstate relations of Kyrgyzstan and China.

A report has also appeared in the local press to the effect that in the interests of big policy, the leadership of the National Academy of Sciences, where K. Karimov works, intends to follow the advice of its Chinese friends and suggest that the disgraced professor leave the walls of this noble institution.

Akayev Term Extension Referendum Canvassed

954F3042A Moscow PRAVDA in Russian 8 Aug 95 p 2

[PRAVDA correspondent Yuriy Razgulayev report: "'If the People Insist....'"]

[FBIS Translated Text] Bishkek—I respond to a knock at the door and see two attractive women. They offer me a leaflet:

"Do you want to sign?"

"Sign what?"

"For a referendum on an extension of Akayev's term."

"But hasn't Akayev declared that he is against a referendum?"

"Akayev, yes, but we have been sent by our superiors...."

Such was the conversation. Not just with me, naturally. Hundreds of similar "volunteers" are making the rounds of apartments and houses on these enervatingly hot August days. They are all carrying subscription sheets of one strictly set form. With the seal of the local state administration, what is more.

People are saying that it is not only in the capital that this work is being performed. "Action committees" are operating even more actively in Issyk-Kul and Osh Oblasts. I should not have used the quotation marks, for that matter. Action committees for collecting signatures for a referendum truly were formed at a meeting of the townspeople on 19 July, and on 21 July—just two days later—they were registered by the Ministry of Justice.

The work is, as we can see, active and purposeful. Yet both Kyrgyz and foreign experts have stated repeatedly that such a referendum contravenes the Constitution and that elections are the sole legitimate path for the president. Obviously, Akayev himself understands this also. He has already opposed this idea publicly more than once. But has not rejected it. And inasmuch as the signatures are being collected most actively in the oblasts that are headed by the people closest to him, it is logical to assume that he is not opposed to a referendum at heart.

And not only he, for that matter. Despite the republic's very adverse economic situation and the impoverishment of a large part of Kyrgyzstanis, the president's approval rating is, as before, quite high. He is as yet clearly way ahead of candidates waiting in line.

But if there is no alternative to the president, why does he not agree to open national elections? Especially since less than a year to them remains. While a referendum is being prepared, this time is getting closer. The opponents of a referendum believe that the president is simply afraid of real rivals. For if we look back, we can see that Akayev has not yet once gone through real elections. The first time he was made president by the Supreme Soviet, and then elections were held, but on a single-candidate basis, without rivals, that is. And conversing with the people was easier then: Everything lay ahead for the president, the time to answer for his promises and plans had not yet come.

So A. Akayev today faces a very difficult decision. Judging by the ever more intensive activity of the executive, he is clearly not averse to repeating the no-lose version of term extension which has already been tried and tested in neighboring republics. On the other hand, he has for too long sedulously created the image of "real democrat" to agree lightly to this anticonstitutional step. But "if the people insist very strongly"....

Turkmenistan

Abbreviated Law on Investment Activities

954F2996A Moscow ROSSIYSKAYA GAZETA in Russian 4 Aug 95 p 13

["Law on Investment Activity in Turkmenistan," "published in abbreviated form" under the rubric "Open Door Policy Attracts Investors"]

[FBIS Translated Text] This law determines the legal, economic, and social conditions for investment activity in the territory of Turkmenistan. It is aimed at ensuring equal protection of the rights, interests, and property of entities of investment activity regardless of form of ownership.

Chapter I. GENERAL PROVISIONS

Article 1. Investments

Investments comprise all types of property and intellectual valuables invested in mediums of entrepreneurial and other activity, resulting in the formation of profits (income) or achievement of social effect.

Such valuables may consist of:

monetary instruments, special-purpose bank deposits, shares, stock, and other securities;

movable and immovable property (buildings, structures, equipment, and other material valuables);

rights to the use of land and other natural resources, as well as other property rights;

ownership rights proceeding from copyright, "know-how," experience, and other intellectual valuables;

other valuables.

Investments in the reproduction of capital stock may be carried out in the form of capital investments.

Article 2. Investment activity

1. By investment activity is meant the totality of practical actions of the state and physical and juridical persons in the realization of investments.

2. Investment activity is accomplished on the basis of:

investing carried out by physical persons, economic associations, societies, and partnerships, as well as by social and religious organizations and other juridical persons of Turkmenistan, regardless of form of ownership;

state investing carried out by the organs of authority and government of Turkmenistan and organs of local executive authority using budget funds, nonbudget funds, and borrowed funds, as well as investing carried out by state enterprises and institutions using their own and borrowed funds;

investing carried out by foreign states, juridical persons, and physical persons, as well as stateless persons;

joint investing carried out by Turkmenistan and foreign states, juridical persons, and physical persons, as well as stateless persons.

Article 3. Investment mediums

Investment mediums comprise newly created and modernized capital stock and working capital in all sectors and spheres of economic activity, securities, special-purpose monetary deposits, scientific- technical production, intellectual valuables, and other objects of property, as well as ownership rights.

Investment activity is prohibited with respect to mediums, the creation and use of which fail to meet the norms of seismic stability, fire and explosion safety, sanitation and hygiene standards, ecological and city-planning requirements, or which will jeopardize the rights and interests of citizens, juridical persons, and the state that are protected by law.

Article 4. Investment activity entities

1. Entities (investors and participants) of investment activity may consist of physical and juridical persons of Turkmenistan and foreign states, as well as such states themselves.

2. Investors are investment activity entities that make decisions on investing their own, borrowed, and attracted property and intellectual valuables.

Investors may act in the role of depositors, creditors, or buyers, and they may carry out the functions of any participant in investment activity.

Participants in investment activity consist of physical and juridical persons of Turkmenistan and other states that support the realization of investments in the capacity of executor of an order or based on an investor's instructions.

Article 5. Legislation of Turkmenistan on investment activity

Relationships associated with the realization of investment activity in Turkmenistan are regulated by this law and by other legislative acts of Turkmenistan.

Investment activity is regulated:

for entities of Turkmenistan in foreign states—by legislation of the state in whose territory such activity is being carried out, by applicable international agreements and interstate treaties, and by special legislation of Turkmenistan;

for entities of foreign states in Turkmenistan—by this law and special legislation of Turkmenistan.

Chapter II. REALIZATION OF INVESTMENT ACTIVITY

Article 6. Rights of investors

1. All investors have equal rights in the realization of investment activity.

The use by an investor of property and intellectual valuables for investments in mediums not prohibited by this law or other legislation of Turkmenistan is recognized to be the investor's inalienable right, without any restriction whatsoever, and is protected by law.

2. An investor independently determines the volume, orientation, and effectiveness of investments realized, and attracts physical and juridical persons necessary for the realization of investments at his discretion and on a contractual basis.

3. Upon decision of an investor, the rights of possession, use, and disposition of investments and investment results may be transferred to other physical and juridical persons according to procedure established by law. Reciprocal relations of the parties in the case of such transfer of rights are regulated by contract.

4. Investment activity may involve the attraction of financial assets in the form of credits, or the issue of securities and loans according to procedure established by law.

The property of an investor may be used by him to secure his liabilities. Only such property that is owned by a borrower or belongs to him by right of full economic management, unless otherwise prescribed by legislative acts of Turkmenistan, may be accepted as security. Upon violation of the security obligations, property pledged as security may be sold according to procedure established by law.

5. An investor has the right to possess, use, and dispose of investment mediums and investment results, including reinvestments and trade transactions in the territory of Turkmenistan in accordance with the legislation of Turkmenistan.

The legislation of Turkmenistan may determine mediums, investment in which does not entail acquisition of the right of ownership but does not rule out the possibility of subsequent possession, operational control, or participation by the investor in the receipt of profits from the use of these mediums, and for investors of other states—with provision of the right to take them outside the territory of Turkmenistan.

6. An investor has the right to acquire property he needs from physical and juridical persons either directly or through intermediaries, at prices and under terms which are determined through agreement of the parties, without limitation in volume or nomenclature, if such acquisition does not contravene legislation.

Article 7. Relations among entities of investment activity

The main legal document that regulates mutual relations among the entities of investment activity is the contract (agreement).

Conclusion of contracts, selection of partners, and the determination of obligations and any other conditions of economic mutual relations, not in contravention of Turkmenistan legislation, fall exclusively within the competence of the entities of investment activity. Interference on the part of state organs and responsible officials in the exercise of contractual relations among the entities of investment activity is prohibited, except in instances envisaged by this law.

Entities of investment activity have the right to organize competitions (bidding) in order to attract physical and juridical persons to investment activity.

Article 8. Obligations of the entities of investment activity

1. An investor is obliged, according to procedure established by Turkmenistan legislation:

to submit to organs empowered by the Turkmenistan Cabinet of Ministers a declaration of the volumes and sources of investments realized by him;

to obtain the necessary authorization and consent of the appropriate organs of authority and special services for capital construction;

to obtain a determination of the State Board of Review of Investment Projects respecting compliance with the norms of seismic stability, fire and explosion safety, sanitation and hygiene standards, and ecological and city-planning requirements.

2. Investment activity entities are obliged:

to observe the norms and standards, procedure for stipulation of which is determined by Turkmenistan legislation;

not to allow unscrupulous competitive bidding, and to fulfill the requirements of antimonopoly regulation;

to fulfill the demands of state organs and responsible officials presented within the limits of their competence;

to submit bookkeeping, accounting, and statistical data in accordance with established procedure.

3. Each participant in investment activity who performs special kinds of work requiring appropriate certification of the executor must have a license attesting to the right to perform the given variety of work. The listing of such work varieties and procedure for their licensing are established by competent organs of Turkmenistan.

Article 9. Sources of financing of investment activity

Investment activity may be carried out through use of:

the investor's own financial resources (profits, depreciation allotments, monetary accumulations, savings of citizens and juridical persons, and other resources);

borrowed financial assets of investors (bonds, bank and budget credits);

attracted financial assets of the investor (funds received from the sale of stock, shares, and other payments to citizens and juridical persons);

budgetary investment appropriations.

Chapter IV. GUARANTEE OF RIGHTS AND PROTECTION OF INVESTMENTS

Article 19. Guarantees of the rights of entities of investment activity

1. Turkmenistan guarantees stability of the rights of entities of investment activity. In the event legislative acts are adopted whose provisions restrict the rights of entities of investment activity, the applicable provisions of such acts may not enter into force until 10 years from the date of publication.

2. In the event state organs adopt acts which violate the rights of investors and participants in investment activity, the losses, including lost opportunity, incurred by entities of investment activity as a result of the adoption of such acts are reimbursed to them by the organ in question by court decision. If the state organ does not have sufficient funds, the losses are compensated appropriately by the Turkmenistan Cabinet of Ministers.

State organs and their responsible officials do not have the right to interfere in the activity of entities of investment activity, except in instances where such interference is permitted by law and carried out within the framework of competence of these organs and responsible officials.

No one is authorized to restrict the rights of investors in their selection of investment mediums, except in instances as envisaged by Turkmenistan legislation.

3. Investment activity is terminated or suspended upon decision of:

the investors, in which case they reimburse participants in the investment activity for losses;

a competent state organ.

The decision of a state organ to terminate or suspend investment activity may be made for the following reasons:

declaration of bankruptcy of the investor, according to procedure established by law, due to insolvency;

natural disaster, accident, or other similar circumstance;

introduction of a state of emergency;

if during the course of investment activity it becomes clear that its continuation will lead to the violation of sanitary-hygiene, ecological, economic, or other norms established by legislation, or of the rights and interests of citizens, juridical persons, and the state which are protected by law. The procedure for effecting reimbursement for damages to participants in investment activity in such instances is determined by Turkmenistan legislation.

Article 20. Responsibility of entities of investment activity

In instances of failure to observe contractual obligations, the entities of investment activity bear property and other accountability as prescribed by legislation and the contracts concluded.

The payment of fines and forfeitures for violation of the terms of a contract, as well as reimbursement for losses incurred, do not exempt the guilty party from execution of its obligations, unless otherwise stipulated by law or contract.

Article 21. Liability in the execution of state requisitions

1. In the event of failure to fulfill or failure to properly fulfill obligations undertaken in the execution of state requisitions or legally entrusted responsibilities, enterprises and organizations bear property accountability with respect to their obligations to the entities of investment activity. Responsible officials found guilty in this regard bear personal responsibility in accordance with existing legislation.

2. State organs bear mutual property accountability for failure to fulfill or to properly fulfill obligations related to the execution of state requisitions, and effect reimbursement for damages incurred, including lost opportunity.

3. Participants in investment activity bear property responsibility to the investor—Turkmenistan—for the execution of state requisitions according to procedure established by legislation and contracts concluded.

Article 22. Protection of investments

1. Turkmenistan guarantees the protection of investments, regardless of form of ownership or state affiliation. Protection of investments is secured in the legislation of Turkmenistan. In this regard, a system based on equal rights is ensured for all investors which precludes the application of discriminatory measures that might impede the management of investments, their use or liquidation. Terms and procedures are also envisaged for the export of investment results.

2. Investments may not be nationalized or requisitioned without compensation, or other measures applied in their regard that have equal consequences. Such measures may be applied only on the basis of legislative acts of Turkmenistan, along with compensation to the investor for the full amount of losses incurred in connection with the cessation of investment activity.

Special-purpose bank deposits, shares, or other securities invested or acquired by investors, and payments for acquired property or lease rights in instances of confiscation in accordance with legislative acts of Turkmenistan are reimbursed to the investors, with the exception of those amounts that were used or lost as a result of actions of the investors themselves or undertaken with their participation.

3. Disputes arising as a result of the realization of investment activity are examined by appropriate courts.

4. Disputes concerning failure to fulfill or properly fulfill obligations with respect to investment activity between Turkmenistan and foreign states are resolved through negotiations, or in courts as stipulated in interstate treaties and agreements.

5. Investments may, and in instances prescribed by law must be insured.

Commentary on Investment Activities Law

954F2996B Moscow ROSSIYSKAYA GAZETA in Russian 4 Aug 95 p 13

["Commentary" by Chary Kuliyev, Turkmenistan minister of foreign economic relations]

[FBIS Translated Text] In October 1995, Turkmenistan will mark the fourth anniversary of its independence. Turkmenistan has already been recognized by more than 100 countries of the world and is an active member of many prestigious international organizations—the United Nations, Organization for Security and Cooperation in Europe, International Monetary Fund, Organization for Economic Cooperation, and North Atlantic Cooperation Council (NACC). An ever increasing number of world countries are expressing interest in our country as a potential economic partner.

The Law on Investment Activity in Turkmenistan determines the legal, economic, and social conditions for investment activity in the territory of Turkmenistan. It is aimed at ensuring equal protection of the rights, interests, and property of the entities of investment activity, regardless of form of ownership, and promoting the effective functioning of the economy of Turkmenistan.

It must be emphasized that foreign investments in the territory of Turkmenistan have state support and legal protection guaranteed by the Law on Foreign Investments in Turkmenistan, which prescribes the principles of realization of foreign investments in Turkmenistan and is aimed towards the attraction and effective use in the economy of foreign advanced technologies, management experience, and material and financial resources. In accordance with this law, foreign investors may act in the capacity of investors and creditors, or may fulfill the functions of any participant in investment activity.

The presidential Decree on Guarantees Protecting Foreign Investments and Capital determines property guarantees of the foreign investor, the transfer of profits abroad, use of profits by the foreign investor, return of property, protection of the rights to intellectual property, reimbursement for material damages, and compensation for losses.

Since the time of Turkmenistan's acquisition of independence, 350 trade and economic agreements have been signed with 31 countries of the world.

Business has been especially profitable with countries such as the Russian Federation, Iran, Turkey, Pakistan, Afghanistan, Malaysia, Indonesia, India, the People's Republic of China, Egypt, and Israel, as well as with a great many countries in Europe and America—Romania, the Czech Republic, Austria, Slovakia, Finland, Great Britain, the United States, and Argentina.

The commonality of views with respect to resolving issues facing the two countries and the development of Turkmen-Russian relations in a spirit of mutual understanding and good-neighborliness, serving as a new impetus towards the development of further cooperation, were demonstrated by the visit to the Russian Federation of a Turkmen governmental delegation headed by Turkmenistan's President S. Niyazov during the period 16-18 May 1995. A package of 23 agreements was signed over the course of the visit, enabling both states to shift to a qualitatively new phase in their strategic cooperation and partnership.

Attaching significance to the intensification of mutually beneficial long-term economic cooperation, recognizing the mutual interest in effective use of the raw materials base, and taking into account the need to establish conditions for the joint development and implementation of special-purpose programs and cooperative projects in the oil and gas industry, the Agreement on Cooperation in the Oil and Gas Sectors was signed between the Government of Turkmenistan and Russian Federation Government. The parties expressed their intention to establish a joint-stock company for the exploitation of raw hydrocarbon deposits in the territory of Turkmenistan and for the operation of hydrocarbon extraction and transportation facilities for export sales using newly established transportation systems.

At the present time, 33 enterprises are registered in Turkmenistan involving the participation of Russian investors. These include 20 joint enterprises (three of which are in economic zones of free entrepreneurial activity), seven subsidiary enterprises, five representations, and one subsidiary of Russian firms.

Five joint enterprises included within the above are engaged in production activity.

The most significant aspect of the assessment of foreign economic activity is the fact that over the first five months of 1995, Turkmenistan had a positive foreign trade balance with foreign states.

The "open-door policy" proclaimed and conducted by Turkmenistan's president, along with the country's social stability and legal guarantees with respect to capital investments, are attracting ever- increasing attention on the part of foreign investors interested in participating in the development of Turkmenistan's economic potential. Operating in the territory of Turkmenistan in various spheres of material production are more than 300 enterprises with foreign investments, representations, and branches of foreign firms representing the business world of more than 45 countries of the world. The bulk of these constitute enterprises and companies of the Russian Federation, Turkey, India, the United States, Argentina, Iran, Germany, Italy, and a number of other countries.

It is expected that cooperation with foreign companies will undergo further expansion with the aim of creating joint enterprises in the fuel and energy complex.

To support their profitable activity, seven economic zones of free entrepreneurial activity have been formed, in which regard Turkmenistan legislation envisages special tax benefits to encourage the influx of foreign investments into our country's economy.

With the aim of ensuring advantageous conditions for the broad attraction of foreign investments and technologies, the development of international trade relations, and perfection of forms of management under market economy conditions, the eighth free economic zone—Guneshli Turkmenistan—was formed by special decree of the Turkmenistan president.

Hundreds of millions of dollars in foreign investments of a long- term nature have presently been attracted to Turkmenistan's economy. Over 320 large-scale production, sociocultural, and municipal facilities, with costs totalling about $3.5 billion, are being constructed in Turkmenistan.

Construction of more than 80 facilities is already complete. These include one of the largest airports in Central Asia—capable of handling 1,600 passengers per hour. Cotton-gin plants have been commissioned in the cities of Tedzhen, Turkmen-Kala, Geok-Tepe, and Bakharden, having a total production capacity of 28,400 tonnes of yarn per year. A weaving plant for jeans fabric was placed in operation in Ashgabat etrap [district] with a capacity of 18 million square meters. Cotton-gin plants were commissioned in Gyaverskiy, Bayramaliyskiy, Yelotanskiy, Chardzhevskiy, and Maryyskiy etraps and velayats [provinces], enabling us to enhance the effectiveness of cotton-fiber output by 3-3.5 percent, on average, over the production output of previously constructed facilities.

In Lebapskiy and Akhalskiy velayats, 16 mini-facilities for processing meat and dairy products were placed in operation. These are capable of producing five tonnes of sausage products and processing 750 liters of milk per day. In Dashkhovuzskiy, Maryyskiy, Akhalskiy, and Lebapskiy velayats and in the city of Ashgabat, 15 fruit and vegetable drying facilities were commissioned, with a processing capacity of 25,000 per year [as published]. Six brick plants, with a total production capacity of more than 100 million bricks a year, were built in the cities of Gyzylarbat, Tedzhen, Ashgabat, and in Dashkhovuzskiy, Lebapskiy, and Akhalskiy velayats.

Construction was completed of a macaroni factory in Ashgabat, with a capacity of 14,000 macaroni products a year, a baby-food plant in Ashgabat etrap capable of producing 200 tonnes of powdered milk a year, and a tannery in Ashgabat capable of processing 350,000 hides a year.

In the settlement of Gumdag, a bread-baking plant was commissioned with productive capacity of 15 tonnes per day. A flour mill was put in operation at Dzhu-Dzhu-Klu capable of processing 170,000 tonnes of flour a year. Many other facilities have been commissioned.

A number of production facilities are being constructed in Turkmenistan with the participation of Russian builders. These include an electric light bulb plant for the manufacture of incandescent light bulbs, a multiprofile plant producing medical products in Ashgabat, and a gas measurement unit in Daryalyk for inventorying gas transported to locations outside Turkmenistan.

I would like to note the efforts of such Russian construction companies as Zarubezhneftegazstroy, Feliks Trading, Vest-Ros, and Lisma-SIS EVS.

All the above-mentioned aspects provide convincing proof, I believe, of the fact that our country, relying on the solidarity, cohesion, and industriousness of its people, has been able to find its way in the pursuit of foreign economic relations with foreign countries.

Armenia

Ramkavar Azatakan Head Assesses Elections

954F3022A Yerevan VREMYA in Russian 5 Aug 95 pp 1-2

[Interview with Ruben Mirzakhanyan, chairman of the board of the Ramkavar-Azatakan Party, by Artem Yerkanyan; place and date not given: "'There Is No Unhealthy Atmosphere in the Party'"]

[FBIS Translated Text]

[Yerkanyan] What did 5 July mean for you?

[Mirzakhanyan] This is the start of a new era in the country's domestic political development. Parliamentary elections were held for the first time since the establishment of independent statehood in Armenia. In accordance with a qualitatively new law, what is more. In this sense 5 July was undoubtedly a portentous day.

[Yerkanyan] The elections were held under circumstances which you clearly could not have expected....

[Mirzakhanyan] Why so? In my last interview with VREMYA I said that we allowed full well that there would be fraud at the elections. But we did not at that time have any idea of the level at which this would occur or to what extent. It has to be said that the forecasts of the most pessimistic of us were realized.

[Yerkanyan] You mean that, had there been no fraud, the Ramkavar-Azatakan Party would have mustered the necessary 5 percent in the proportional voting?

[Mirzakhanyan] I mean that, had there been no fraud, the makeup of parliament would have reflected the actual mood in society.

[Yerkanyan] And what would the composition of the National Assembly have been in this case? The ruling party would not have a majority?

[Mirzakhanyan] According to our observations, the ruling grouping objectively mustered more votes than we had expected (but far fewer, of course, than follows from the figures published by the Central Election Commission). Certain conclusions may be reached on this basis. One is that a certain social class which feels pretty good under the present regime has already taken shape in Armenia. But it is significant that people of this group are united not by affinity of economic, political, or ideological views but by the particular position that they have come to occupy thanks to the regime. These are government officials, police and army officers, and local leaders of various levels. Quite influential people, who can be counted on. Another conclusion is that certain strata of our people have grown accustomed to the present living conditions. They all remember the social upheavals which entailed the change of power in 1990. Having had in this period time to adapt to the current conditions, people are afraid of new upheavals. For this reason they prefer the devil they know.

[Yerkanyan] One way or another, they won, you were defeated. Many people are calling this a failure of liberal ideology.

[Mirzakhanyan] The arguments I have put forward explain the actions of 10, at best, 12, percent of the electorate. But under no circumstances 70. So this may be termed a victory for the ruling party only conditionally.

As far as the second part of the question is concerned.... We have said repeatedly that, regardless of the election results, we are the winners. Because we have known how to remain true to our principles and our ideology. Judge for yourselves, we could have secured for ourselves a sizable package of mandates and a comfortable existence had we joined the "Republic" association. But then we would have lost our identity, our sympathizers.... This would really have been failure.

[Yerkanyan] A new concept—"to punish"—has appeared in the political dictionary of the ideologists of the ruling party. Thus, according to them, the opposition was "punished" at the elections for radicalism. For what were the liberal democrats, who are known for their centrism, "punished"?

[Mirzakhanyan] An attempt is now being made to adapt all the current political forces to a completed model and to apportion them in the cells envisaged for them. The country's top leadership has decided that there will be three directions here: right (forces of a liberal persuasion), left (communists and socialists), and national or, possibly, nationalist. Endeavoring to lead the political confrontation onto an exclusively ideological plane, each party is being assigned one of these three niches and having a specific role imposed on it in this way. The political forces that are unwilling to fit within this model become the most malicious enemies of the ruling party. And enemies, as we know, are destroyed.

Being traditional supporters of liberal ideology, the Ramkavars today represent a force that will not permit the ruling party to establish a monopoly on the right to call itself the liberal pole of the structure that has been built. It is primarily the traditional national parties, for which a new name—parties engrafted from outside—has already been thought up, which cannot fit within the model that has been artificially created. The AOD [Armenian Pannational Movement] ideologists are prepared, by all accounts, to assign them a place merely on the garbage heap of history inasmuch, as Eduard Yegoryan observed, as "the people have said 'no' to parties engrafted from outside."

The roots of the traditional parties are known to all, but from what ideology the AOD roots and the alliance that has been formed around it are nurtured, it is hard to understand. I do not know how to justify the mental deficiency of the term "radical liberal democrats," which the ideologists of the ruling party have thought up for themselves. After all, everyone knows that radical democrats are communists, and radical liberals, anarchists. Attempts to unite the concepts of liberalism and radicalism are unfamiliar to political science inasmuch as these two concepts are antonyms.

If we think about it in depth, come to that, it can, truly, be seen that all that they are doing is, in fact, a certain mixture of neo-Bolshevism and anarchism. This is manifested both in the economy and in policy. So it is not fortuitous, possibly, that this is what they have "called" themselves. Perhaps this is merely a stage in the continuing ideological quest, which is characteristic of political organizations that are in the process of their formation.

[Yerkanyan] An unhealthy atmosphere connected with the sensational statement of three members of the board of the Ramkavar- Azatakan of Armenia Party demanding that you be removed from the office of chairman of the republic board has arisen in the party in recent days....

[Mirzakhanyan] There is no unhealthy atmosphere in the party. A situation similar to that which has taken shape with us arises in any political party after elections. Regardless of whether it was successful at the elections or not.

The statement came as no surprise to me inasmuch as this was not the first link in the chain of services which one author of the document has rendered the ruling party in order to earn his promised mandate. It is hard not to spot the connection between the statement and the endeavor of certain forces to have the Central Election Commission register Rafik Petrosyan as a deputy of the National Assembly. Note that we are talking about a mandate from the 24th District, which was won by the "Republic" representative. The AOD leadership is prepared to sacrifice its man, just as long as it not offend the industrious Petrosyan.

[Yerkanyan] What consequences should be expected in connection with the published statement?

[Mirzakhanyan] There will be nothing special. The board will at its regular meeting most likely take note of the statement and suspend the authors of the statement's membership of the board. If the question of the expediency of the application of administrative measures in respect to them arises, I personally will vote against this.

Prime Minister Details Five-Year Plan

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[Speech of Grant Bagratyan, prime minister of the Republic of Armenia, at Republic of Armenia National Assembly session on 28 July 1995: "Program of Activity of the Government of the Republic of Armenia for 1995-1999"]

[FBIS Translated Text] Esteemed Mr. President!

Esteemed Deputies!

The main results of the process of the creation of statehood, the system of tasks for the coming four years ensuing from the duties entrusted to the government according to the Constitution of the Republic of Armenia, and the mechanisms of their achievement have been made the basis of the program of activity of the Government of the Republic of Armenia for 1995-1999.

An approximate list of the laws which the National Assembly of the Republic of Armenia is to adopt is shown in a separate supplement.

Main Results of the Creation of Independent Statehood in the First Five Years

The main result of the activity of all branches of power in the period 1990-1995 has been the creation of the attributes (institutions) characteristic of an independent state. It is this logic that imbued the process of constitutional development in the period from 23 August 1990—Proclamation of the Independence of the Republic of Armenia Day—through 5 July 1995—the adoption of the constitution.

The said years were the most arduous in the entire historical period of the creation of Armenian statehood at the end of the 20th century inasmuch as they were called on to accomplish the most difficult part of the task—the creation of the institutions of an independent state. In subsequent years the overriding task of the state will be the development of the institutions that have been created and support for the mechanisms of their further development. In this respect the period 1990-1995 may be characterized also as a period of rapid reforms of political and socioeconomic life and the transformation of social relations. The reforms that have been realized in both political and socioeconomic life have not gone smoothly. But gradually, having accumulated in them the necessary reserve for the transition to new relations, a system of social relations which makes it possible to provide for the development of society and creates the conditions for support of the further evolution of political and socioeconomic relations has taken shape in Armenia in 1995.

Truly, a chronological analysis of the building of the state and the realization of the reforms of 1990-1995 shows that the system of both political (domestic and foreign) and socioeconomic and also legal relationships has undergone a most arduous period of transformation—a period of the disintegration and liquidation of the former relationships. Trends of stabilization and partial recovery have begun to appear everywhere in the past 18 months: successes in the sphere of foreign policy and economic relations, the stabilization of the economy and its pronounced growth, the strengthening of the country's defense capability, the establishment of a cease-fire mode in the conflict zone for more than a year, the creation of a legal field, and others.

The data adduced below testify to the inevitable trends of a recession in a period preceding a process of reforms and to the logic of development and growth in a period following the reforms. It is notable that, as distinct from industry, where the implementation of serious transformations became possible at the end of 1993, the realization of land reforms in agriculture as of 1991 has provided for guarantees of stable and expanded reproduction in this sphere.

It is obvious also that in the period 1990-1995, when a process of the weakening of the former relationships prevailed over the creation of new ones, the overriding task of the formation of the state was accomplished primarily at the expense of an inevitable decline in personal living standards (average real income in 1994 was 4.5 times lower than in 1988) and thanks to the consumption of domestic savings, foreign loans, and an increase in debts. Characteristic features of the process in this period have also been the severance of a considerable part of the traditional economic ties, a low rate of the establishment of new ties and the diversification of the economy on new markets, a structural crisis which exists in various branches of the production and social spheres, and a serious imbalance at various stages of social and political life.

It is the streamlining of these and the above-mentioned problems which is the main task toward whose accomplishment the activity of the government of the republic has been directed.

Economic Policy

The year of 1994, in the course of which economic growth in almost all macroeconomic indicators was recorded for the first time in the past several years, specifically, the growth of the gross domestic product constituted 105.5 percent, was pivotal in the plane of macroeconomic stabilization and the assurance of economic growth. The economic growth that had begun has continued in 1995 also, to which statistical data for the first six months testify as well. Compared with the same period of last year, the gross domestic product grew 12.8 percent, generated national income, 11.8 percent, and industrial production, 11.3 percent.

The balanced policy pursued in the financial sphere and the free trade posture laid the foundations for stabilization of the value of the dram, thereby increasing the currency reserves.

Thanks to the austere fiscal policy, the state budget deficit has declined appreciably, and in 1994 it constituted 24 percent of the GDP, and it is planned that this indicator will have been reduced to 12 percent in 1995. The tax system has been simplified, and privileges and state tutelage have been reduced to a minimum.

Under the conditions of the free foreign trade posture that has taken shape in the republic the volume of imports and exports has begun to grow rapidly in 1994-1995. The comprehensive structural and systemic reforms and the trends toward economic growth and stabilization in macroeconomics will in the very near future also be the basis of the assured stable growth of production and, correspondingly, of a rise in personal living standards. To this end the government intends to pursue in the republic an economic policy which will afford an opportunity to secure an annual growth of the gross domestic product of 10 percent, a lowering of the annual rate of inflation to 5 percent, a reduction in the state budget deficit, it being brought down to 7 percent of the gross domestic product, stability of the exchange rate, a reduction in the adverse balance of foreign trade by 7 percent, an increase in the real average pay of employees of publicly funded organizations by a factor of 5.5, and the introduction and improvement of a system of targeted social protection.

We shall now present government policy in various spheres of the economy more comprehensively.

The tax and fiscal and financial and credit policy pursued in the republic will contribute to the continued reorganization and strengthening of the financial sphere.

The measures geared to a streamlining of the regulations and fiscal legislation in the administration of state finances which are planned by the government will afford an opportunity for the accounting and use of financial resources to be made efficient and purposive.

The state-treasury system created to improve control over budgetary expenditure will afford an opportunity for the guaranteed financing of expenditure and activities specified by the state budget and the more productive realization, in accordance with the standards accepted in world practice, of the process of the formation and service of public debts (both domestic and foreign). It is planned to begin the issue of state treasury securities as of September 1995. At the initial stage they will be short-term and will ensure for investors a receipt of income in keeping with the level of prices. In parallel with the expansion and development of the securities market, the issue of long-term bonds will be given preference, in the main.

The formation of public debt in this way will afford an opportunity for a more realistic prediction of the extent of both current and long-term programs and activities and the avoidance of the financing of the budget deficit from illiquid funds and also the possession of real levers of macroeconomic stabilization, in the sphere of monetary policy particularly.

At the same time, on the other hand, the accounting and accountability of the revenue and expenditure of the state budget as of 1 January 1996 will be performed in conformity with the classification specified by international standards. Budgetary expenditure will be classified both in accordance with the functional structure of the organs of administration and on the basis of the economic content and tasks of this expenditure. The spheres of the accounting and service of the financing of the budget deficit and the spheres of the accounting and service of the attraction of resources will be defined more precisely.

There will be a change in the structure of expenditure in parallel with the strategy of a general reduction in expenditure items, nonetheless, particular types of expenditure will grow. What has been said applies primarily to the real wages of employees of the publicly funded sphere and also real expenditure of the social sphere.

A means of the execution of and control over budget revenue will be the compilation of a consolidated budget, which will, in the main, apply to the accounting combination of the Pension Fund and the Employment Fund of the Republic of Armenia and the Social Insurance Fund with the state budget of the Republic of Armenia. While remaining independent organizational structures, they will act as a supplement to the state budget. Considering the accomplishment of tasks of macroeconomic adjustment, the formation of other extra- budgetary funds will henceforward be excluded.

An increase in tax contributions by way of an expansion of the tax base, an even bigger reduction in tax privileges, a simplification of the tax mechanism and an improvement in the system of the collection of taxes, and the introduction of a system of property liability and advance payments is contemplated in order to secure a growth of the budget. On the other hand, maintaining the deficit at a low level will spare credit resources inflation and will contribute to their real growth.

The basic principles of the tax policy that will be pursued are as follows:

the creation of equal conditions for all spheres of the economy, regardless of forms of ownership—this will signify an end to the practice of exemption from value-added tax;

the introduction of a general system of income tax and the application of one and the same tax burden in respect to a unit of income;

a shift of the tax burden from enterprises to the entrepreneurs and individuals;

a gradual transition from the mass external checks of the taxpayers which are practiced currently to a system of internal checks (internal audit) and an increase in the proportion of the latter;

the elaboration and introduction of an integral system of the provision of the taxpayers with information.

An improvement in the customs services will contribute significantly to a growth of budget revenue. The creation of nine new customs points in border zones and at airports is geared to the realization of this goal also.

The main tasks of monetary policy are as follows:

a consistent lowering of the rate of inflation and its containment and manageability;

by way of a reinforcement of the currency reserves of the Central Bank of the Republic of Armenia—a stable rate of exchange of the dram and the creation of the foundations of the full convertibility of the dram of the Republic of Armenia not only within but also outside the republic;

the formation and development of an efficient structure of the banking system by way of an expansion of banking services, increased quality, and provision for financial movements of deposits from savings;

the development of payment and settlement relations and the establishment of the criteria of settlement monies;

the development of international relations, the increased activity of the banking system of the Republic of Armenia on foreign financial markets, and the creation of the prerequisites for the formation of the Republic of Armenia as a financial center.

The continued control of the circulation of the money supply on the part of the Central Bank of the Republic of Armenia, the development of market methods of the allocation of credit, and the control by the Central Bank of the Republic of Armenia over purely internal assets and particular parts of them are contemplated for the accomplishment of these tasks. Together with this, the situation on the credit market remains difficult. The Central Bank of the Republic of Armenia refinancing interest rate is twice as high as the programmed inflation index. Consequently, 99.9 percent of the credit granted by the commercial banks is short-term. These banks are, in fact, not so much components allocating credit for the economy as "wholesale" exchange outlets and organizations servicing trade. Together with the positive trends of stabilization of the dram, we cannot fail to see that the rate of growth of the money supply in the economy, of cash particularly, exceeds by a factor of 1.3 the rate of inflation, and by a factor of almost three, the rate of growth of the economy.

An analysis shows that at least 37 percent of primary personal income is not taken into account in official figures.

All this emphasizes the urgency of the implementation of a number of measures:

the establishment of special rates of investment, long-term lending:

tighter control over cash turnover and an extension of tax policy;

the exercise of due control on the part of the Central Bank over the activity of the commercial banks.

Organizational and Structural Transformations

The transformations of the system of management are geared to the creation of a new system of management characteristic of the market economy, one sector of which is composed of the management of activity (defense, security, and so forth), which is a state monopoly, and the other, of direct or functional indirect management of the economy. The logic of the transformations will be such that there will be a sharp cutback in the system of direct management on the part of the state and there will be an increase, in exchange, in the role of functional management. The functions of the ministries will, accordingly, be made more specific, and they will be accorded an opportunity to efficiently and independently decide questions within the framework of their authority. There will thus be an appreciable growth in horizontal relations. These changes will signify a reduction in the central staff of the organs of sectoral management of 5 percent, and in parallel with the formation of oblasts and the dissolution of the rayon council executive committees, a reduction of 15 percent.

Of the 31 ministries that are part of the government as a whole, 23 will be retained and eight will be dissolved, and of the 30 bodies under the auspices of the Government of the Republic of Armenia, one will be retained, six will be dissolved. The simplification of the system of management will continue, and of the said 23 ministries, some will very shortly merge, and there will be serious changes in their structure and functions.

The changes in administrative and territorial administration are dictated by the requirements of the Constitution of the Republic of Armenia. The republic will be divided roughly into 10 oblasts, which will encompass the 36 rural and urban rayons that exist at this time.

The new system of administrative and territorial administration will make it possible to separate precisely the functions of administration of the administrative and territorial entities (oblasts, communities) and exercise administration efficiently. Specifically, realization of the following functions is envisaged in the city of Yerevan, as a separate oblast:

implementation of the master plan;

organization of water supply, storm sewerage, and heating;

organization of trade and public catering;

planting the city with trees and shrubs;

management of production pertaining to public utilities;

management of the activity of apartment-owner associations (condominiums);

supervision of city planning;

organization of public services, public recreation, and the operation of transport;

economic administration of the social system (health care, education, arts and entertainment, sport);

environmental control;

the safeguarding of public health and so forth.

The remaining functions of administration will be exercised by the ministries and republic organs of sectoral administration.

It is contemplated that a large part of revenue formed from local taxes will be concentrated in the oblast budgets, and the disbursements and transfers, in the community budgets.

The other oblast authorities also will be formed on the basis of this model of the city of Yerevan, in the main. Such a wide range of powers is specified for the oblast on the basis of the principle of their being designed, in the main, to provide for the creation of a normal environment for the activity of each oblast and to satisfy the spiritual and material requirements of the citizens without going beyond the framework of the oblasts.

The structural transformations are geared to the formation of a market economy by way of the decentralization of management, the privatization and denationalization of state-owned enterprises and facilities of incomplete construction in the light of antitrust adjustment, state assistance for entrepreneurial activity, the encouragement of exports, and purposive investment policy. The processes of privatization and denationalization will be continued and completed, in the main, in accordance with the privatization program. And, what is more, the privatization of enterprises for the processing of agricultural raw material, retail trade, and public catering and consumer service facilities will be completed in 1996, in the main. The privatization of large and medium-sized enterprises will be extended, and as a result state property in industry (including power engineering), in particular, will constitute approximately 25 percent. Power engineering facilities, research centers, health-care facilities, highly productive seed-growing, seedling, and pedigree-breeding farms, the sphere of education and communications, the railroad, motor highways, airports, the metro, and military industry will remain as state property, in the main. At the same time the process of denationalization in these spheres will be extended. This applies, specifically, to enterprises maintaining the motor highways. Toll roads, bridges, and tunnels will be built, the zoo-veterinary service of the rayon associations will be denationalized, and so forth.

Investment Policy

It is characterized by three lead directions:

investment activity, overseas included, will be encouraged and supported by the state;

direct investments on the part of the state, mainly in the social and production substructures (power engineering, road building, transport, public utilities, housing construction, the irrigation system);

for the encouragement of state and nonstate investments on the territory of the republic—assistance of the state and international financial organizations and overseas nonstate financial structures. This direction, what is more, in respect to which agreement was recently reached with international financial organizations, will in the period 1995-1999 become an important component of the government's economic policy. Merely in terms of the first and third directions domestic and foreign investments are anticipated in the said period in the amount of sums the equivalent of $1.2 billion, and up to the year 2000, $1.5 billion.

The second direction provides for the realization of investments equivalent to a total of approximately $800 million. In the latter half of 1995 and at the start of 1996 investment agreements for a sum total of $220 million will be concluded with the World Bank and the European Bank.

In the sphere of power engineering, which is an essential prerequisite of the further upturn of the economy and assured economic independence, the following priority programs are planned:

1997—the commissioning of the Gergen Hydropower Plant;

1999—the commissioning of the Yegvard Reservoir and Hydropower Plant;

1995—the de-mothballing of the second unit of the nuclear power plant;

1996—the commissioning of Unit IV of the Razdan State Regional Electric Power Plant;

1998—the maintenance of power engineering facilities;

1997—the maintenance of the first unit of the nuclear power plant;

2000—the restoration of energy capacity, including reconstruction of the third and fourth units of the Yerevan Combined Heat and Power Generator, and conversion of the first and second units of the Razdan State Regional Electric Power Plant;

1998—the maintenance of the gas-transportation system;

1999—the reconstruction and enlargement of the natural gas repositories;

1997—the development and introduction of liquefied gas production;

1997—the commissioning of the Iran-Armenia gas pipeline;

1996—the construction of the Iran-Armenia high-tension power line.

The planned volume of investments will make it possible:

to replace and retool operating plants of the power engineering system;

to lower the level of engineering and commercial losses, reducing them to permissible limits;

to raise the efficiency and economical nature of the use of fuel and energy resources.

The implementation of these programs, the continuation of structural transformations in the power engineering system, and the pursuit of the envisaged tariff policy of compensation for expenditure on the generation of electric and thermal power (including capital costs) will make it possible in the year 2000 to have raised electric power generation in the republic to 10.7 billion kilowatt-hours, having increased generating capacity by 645 megawatts. Preparatory work on the construction of a new nuclear power plant is to be commenced and completed together with this in 1995-1999 in order for its capacity to have replaced the present nuclear power plant before 2005-2007.

The following are envisaged in the sphere of transportation:

the restoration and repair by the year 2000 of the main highway network of the republic, in 1998, a motor highway from Megri to Bavra, and in 1996, the Stepanavan Tunnel, completion of the Sevan Tunnel, and a start on the construction of the Kadzharan tunnels;

1998—the maintenance of the Yerevan Metro, the removal of effluent, the construction of dual tunnels and branches of the Metro in Achapnyak, and the commissioning of the Davitashen Bridge and Charbakh Station;

the repair of railroad track and the restoration of the rolling stock;

1997—the reconstruction and an increase in the capacity of Yerevan's Zvartnots Airport;

1998—an increase in the efficiency of the planning and management of transport.

The implementation of these projects will ensure satisfaction of public demand and economies in transportation and a qualitative improvement in transport services.

In the sphere of public utilities and housing construction it is planned to tackle the following tasks:

the achievement in the coming five years of 80 percent gravity water supply, thanks to which there will be an improvement in the water supply and a reduction in its costs and the creation daily of approximately 500,000 kilowatt-hours of electric power;

to save water and reduce losses—the development and introduction of the latest plumbing equipment in municipal and residential systems;

the efficient use and preservation of fresh water resources;

differentiation of types of household garbage and the treatment and use of secondary raw material and also the introduction of techniques of obtaining water and electric power.

The following projects will be undertaken to this end:

the creation of gravity water-supply systems in Yerevan and other regions of the republic;

1988—the construction in the capital of an industrial water conduit for the normal water supply of Yerevan's chemical enterprises, the commissioning of the Arzni and Garni water conduits, and the construction of four reservoirs of annual control;

1988—the creation in the water-hungry mountain areas of the republic of water-supply pumping systems;

the restoration, in the main, of the housing of the earthquake zone, channeling funds from the state budget and World Bank loans corresponding to $30 million, the restoration in full of the border zone, and assistance for housing construction in Artsakh;

the construction of apartment houses in Yerevan and certain areas of the republic thanks to partial compensation from the emergency housing fund and also with the aim of providing the refugees with living quarters in a number of areas of the republic.

IN THE SPHERE OF THE ENVIRONMENT AND THE USE OF NATURAL RESOURCES the government's economic policy will be geared to an easing of the negative influence of economic activity on the environment, the rational and purposive use of natural resources, and the creation of economically propitious conditions for the life of the population. The program of state investments for the preservation of the natural balance of Lake Sevan (the year 2000), including use of the subterranean waters of the River Vorotan and the construction of sewerage collectors and stations (1998), is geared to these purposes. Specifically, the construction of the Yerevan Aeratsiya Station has been completed. A particular feature of investment policy of 1995-1990 is an appreciable growth in investments in the SOCIAL SPHERE. Credit programs of social municipal investments of a social focus are in the realization phase.

The operative and reorganized energy plants, the development and restoration of railways, the improvement of communications facilities, and the creation of the necessary prerequisites for conformity to economic and market demands will ensure the necessary preconditions for the development of the PRODUCTION SPHERE and the activity of economic entities under the new conditions.

Specifically, IN INDUSTRY we contemplate:

the commissioning of the Parakar Gypsum Plant (1998);

the organization of the production of power semiconductors of the Tranzistor Plant (1996);

the restoration of the Alaverdi Copper-Smelting Plant with an annual capacity of 5,000 tonnes (the year 2000);

the installation in Kapan of a modern and powerful copper- smelting plant with a capacity of 30,000 tonnes (start of 1997);

the commissioning of a gold-concentrating plant (the year 2000);

the commissioning of stage two of the Ararat Cement Plant;

the reconstruction of the Nairit;

the introduction of carbide production at the Rubin Plant, development of the ammonia cycle, and so forth.

It is planned IN THE SPHERE OF AGRICULTURE:

to increase the efficiency of the production and market subdivisions—by means of the upgrading of the irrigation system and its improvement, improvement of the banking sphere and insurance services, and the formation of an agrarian market;

to transform the activity of the state organs of administration in the sphere of agriculture, specifically by means of an improvement in their control functions. For a solution of these questions the necessary capital investments have been included in the following programs:

the restoration of the irrigation systems (1999);

the creation of a cooperative agricultural bank (1997);

the creation in Yerevan of a wholesale market and packaging enterprise and the organization of the production of tomato paste and mineral waters and the commissioning of integrated milling works in Spitak and Stepanakert;

the creation of companies for the insurance of the property of the peasant and collective peasant farms (1997);

the commissioning and reorganization of a number of hog-raising and poultry units (Bagramyan, Echmiadzin, Nor Kharberd), the restoration of aloe production, and the organization of the production of fodder crops (Maralik, Ani).

The Social Sphere

Social Policy

Social policy will be geared to a rise in personal income, an appreciable increase in the proportion in it of direct initial income, the introduction and improvement of a targeted system of social protection, and the efficient employment of manpower.

Some 140,000 jobs will, in particular, have been created by the year 2000 from credit obtained by the state, and thanks to expected foreign private investments, approximately 260,000 jobs (based on a wage the equivalent of $100).

1. It is planned in the sphere of wages:

a) to continue the phased reforms of labor compensation for the employees of publicly funded organizations, the aim being:

to increase the current differences between rates depending on the degree of responsibility of the employee and the quality of the work;

to establish for one and the same position minimum and maximum labor compensation;

to introduce a single wage-rate system;

b) to raise the real wages of employees of publicly funded establishments by a factor in the range of 5.5;

c) to continue the phased increase in the minimum wage—with the aim of gradually bringing it into line with minimum sustenance requirements;

d) to introduce economic mechanisms stimulating the correlation of the rate of growth of wages and productivity which are economically substantiated.

2. It is planned in the sphere of social protection of the populace:

a) to switch to a single system of targeted family social allowances and ensure social justice and the targeted distribution of humanitarian aid;

b) to perfect the state pension system providing for a minimum pension;

to switch to a system of pension insurance, which will be administered and financed by both state and private organizations.

3. It is planned in the sphere of employment:

to perfect the legal field stimulating the entrepreneurial activity of the economically active part of society;

to devise and introduce mechanisms of state assistance for independent entrepreneurial activity with the aim of support primarily for the creation of their own business by the handicapped, women, and the youth by means of the creation of private and family farms;

to expand the sphere of public works;

to change the work profile, upgrade the qualifications, and make specialists of unemployed citizens—the introduction and improvement of a system corresponding to the requirements of the market, the stimulation of small business and instruction in the principles of enterprise, and the regulation of labor relations (government—the unions—the employers) by means of the conclusion of agreements, the basis of which is realization of the principles of social cooperation;

to organize the regulated export of available manpower.

4. For the purpose of the creation of a single system of social protection offices (departments) of social security of the ministries of national security, defense, and internal affairs will be introduced as part of the Ministry of Social Security, Employment, and Migration and Refugee Affairs.

Areas of the Social Sphere

Basic research will be financed on a subject basis on competitive terms on the part of the state, this having shown its viability in the period 1992-1995, in the field of SCIENCE.

In the sphere of the applied sciences the main attention will be paid to questions of the development of new technology. They will be funded on the basis of government contracts and agreements concluded on the part of the economic entities.

The policy of decentralization of the higher and secondary educational institutions will continue, which will afford an opportunity for the harmonious development of economics, science, and education throughout the republic.

The GENERAL SCHOOL will operate as a unified system of elementary, secondary, and senior schools. The basic school subjects will be taught in the form of a government contract. Together with this, each school will acquire outside of the compulsory program an opportunity to undertake the extended and specialized study of subjects not included in this program. In addition, new forms of the organization of school education by means of the creation of university preparation schools, educational complexes, and cultural centers will be stimulated.

The centralization of vocational-technical schools and ancillary, specialized, and evening schools is envisaged.

A new procedure of the certification of schools and teachers will be established, and prescriptive documents regulating the activity of the nonstate school will be adopted.

The system of centralized examinations, and on the basis of their results, a system of centralized competition, will be developed, with a trend toward the transfer of the latter to the high school and the unification of finals and state examinations.

The introduction in the higher educational institutions of the republic of the system of three-stage higher education, providing at the first stage for general specialized tuition—university education—at the second stage, for narrow specialized tuition, and at the third stage, for graduate-student tuition, will continue in the field of HIGHER EDUCATION.

Under the conditions of the preservation in the system of higher and secondary specialized education of the government contract the system of public fee-charging tuition will be expanded.

It is planned to continue and extend the reforms begun in the sphere of HEALTH CARE: to impart to medical institutions the status of independent economic entity—state-owned enterprises—which is an essential prerequisite for support of their activity under the conditions of insurance medicine.

A register of the medical branches and general health institutions for which preservation of the status of publicly funded organization is envisaged will be established simultaneously also.

A substantial portion of the current medical services for the needy strata of society and children and also the whole population will be supported at public expense.

The functions of the general out-patient clinics and inpatient medical establishments will be clearly delineated, and the right to organize full-fledged medical assistance will be restored to the walk-in clinics.

Serious reforms are anticipated in the system of the specialized education of medical personnel, and a system of the licensing of medical education will be introduced.

The following are envisaged in the sphere of CULTURE, PRESERVATION OF MONUMENTS, AND INFORMATION:

the realization of organizational and structural reforms and specification of the status of facilities of the said spheres and the framework of state trusteeship, particularly in respect to objects of culture of national significance, and also of particular artistic personalities;

the creation in administrative-territorial centers of multiple- profile cultural centers.

The state program Christianity 1700 will be realized in the period 1995-2000.

The following are envisaged in the sphere of TOURISM:

the creation of the appropriate substructures;

the restoration and development of tourist itineraries involving historical and architectural, cultural, and other monuments;

the elaboration of a program of health and fitness tourism;

the stimulation of the creation of advertising information services with the aim of the further development of foreign tourism.

In the sphere of economic statistics the most important task is to bring them into line with the standards accepted in the statistics of market relations and international practice. A switch as of 1997 to a system of the national accounting of the economy both in statistics and in the bookkeeping system is contemplated in this area. A population census will be taken in 1999.

Strengthening of Legality, Assurance of the Rights and Liberties of the Citizens, Safeguarding of Property and Public Order

With the aim of protection of the rights of the citizens to sanctity of property, equality, and judicial remedy enshrined in the Constitution of the Republic of Armenia and the assurance of other rights and liberties and also with the aim of the protection of their legitimate interests, internal structural transformations will be undertaken in the systems of justice, the procuracy, and other law enforcement authorities. The corresponding legislative base of these spheres will be perfected and systematized and a number of programs will be implemented in this sphere to this end.

The government will draft and implement a state program to combat crime. Procuracy inspection in the sphere of the fight against crime will be intensified. The corresponding level of demands on the execution of current laws is to be assured in all components. The work of the law enforcement system in the sphere of the discharge of obligations specified by current laws to the citizens, economic entities, institutions, organizations, and various authorities is to be completely reorganized. The process of the preliminary inquiry and investigation of criminal offenses and economic crimes with the aim of a change in the organizational structure of the performance of the former is in need of serious regularization. It is essential in the next few years to perform a great deal of work on an expansion of the material and technical facilities of the MINISTRY OF INTERNAL AFFAIRS, staffing it with highly professional personnel and expanding work with broad strata of the populace. The creation of public associations of the citizens, the organization of work with adolescents and the youth, and separation of the functions of the central and territorial police are important.

The Constitution of the Republic of Armenia makes qualitatively new demands on the system of the MINISTRY OF JUSTICE.

For precise compliance with the laws, edicts and directives of the president of the Republic of Armenia, and decrees of the government and the prime minister a compulsory procedure of the registration of acts, orders, and decisions adopted by ministries, departments, and republic organs of administration and organs of territorial administration and local government will be introduced shortly and a register of state acts adopted by the above-mentioned authorities will be created.

In the event of these acts failing to conform to legislation here, they shall be deemed null and void. Control over the correctional labor colonies and expert-evaluation services will be transferred to the jurisdiction of the ministry. The register office departments will be under its jurisdiction also. The state monopoly on notarial activity will be eliminated, and an opportunity for individuals and legal entities to perform such activity will be granted by way of licensing.

Development of the Legislative Field

Implementation of the program that has been presented is strictly in accordance with the existence of a legislative field.

A package of documents—laws covering the spheres of economic and state administration, branches of the social sphere, defense and national security, external relations, judicial-legal relations, and citizens' rights—must, according to the Constitution of the Republic of Armenia, be adopted as a priority within the set timeframe in this respect.

Approximately 100 fundamental laws will need to be adopted as a whole in the period 1995-1990.

Realization of Defense, National Security, and Foreign Policy Programs

To support defense capability the main task is the presence of a combat-capable, disciplined army with firm moral principles and furnished with modern equipment, for the formation of which the following tasks have to be tackled:

the creation of a system of the training of highly professional personnel of the top command staff;

the creation of a system of the mobilization readiness of servicemen of the reserve;

the elaboration of ideology for raising the soldier of the motherland;

provision of the army with modern and precision types of weapons;

adoption of the military doctrine of the Republic of Armenia;

the creation of a unified system of command and control of the armed forces and its development;

provision of the army with everyday conditions and the further development of the material and technical facilities.

Great significance is attached in a strengthening of the armed forces to a reinforcement of the military-industrial complex and the more efficient use of potential. The mechanism of the government contract in the military-industrial complex and the methods of deciding upon the timeframe of the realization and the extent of the funding of the programs specified by the government contract will be perfected to this end.

Serious measures will be adopted to support national security and to develop and improve the financing of the material and technical facilities of the security authorities. Protection of Armenia's border with Georgia and Azerbaijan will be prepared and supported.

The activity of all officially registered special services will be regulated legislatively.

Foreign policy is geared to the establishment and development of friendly relations with all countries, neighbors included, the preservation of Armenia's international authority, active membership of international and regional organizations, the extension and development of the process of unification of all Armenians around Armenian statehood, and the development of lines of communication with neighbor countries.

Soft loans for the realization of specific programs of the development of permanent structures and production sectors of strategic significance will continue to be received from international organizations.

For a peaceful settlement of the conflict in Nagornyy Karabakh Armenia will continue to take part in the monthly negotiations being held with the mediation of the cochairmen of the Minsk Conference, seeking to reinforce the cease-fire posture that has been established over the course of a year and to ensure the irreversibility of the peace process.

The main purpose of bilateral relations will be the formation of a legal field for the development of trade and economic and political cooperation with individual countries. In this connection work will be performed in the following areas: the signing of trade agreements and other types of interstate documents for the stimulation and protection of investments for the purpose of avoidance of dual taxation and the stimulation of economic cooperation and also the establishment of the most propitious trade procedures for a number of countries and the conclusion of friendship and cooperation treaties.

For the effective use of the current possibilities of economic cooperation and the surmounting of the difficulties caused by the blockade Armenia intends to develop the model of multilateral diplomacy.

Armenia has overseas at the present time more than 25 diplomatic missions, and the opening of new embassies—in China and Japan—is planned.

The operating missions, functioning with a satisfactory workload, will have an opportunity in the very near future to provide for the realization of Armenia's diplomatic activity in full, thereby tackling the tasks set the state by this program.

Opposition Assailed on Dro, Dashnak Stance

954F3024A Yerevan RESPUBLIKA ARMENIYA in Russian 5 Aug 95 p 1

[Article by Armen Khanbabyan: "Presumption of the Guilt of the Authorities: Defense of Terrorism as a Method of Reaping Political Dividends"]

[FBIS Translated Text] The mass media of the republic is actively discussing the recent Security Council announcement in connection with suppression on the night of 28-29 July of the activity of a terrorist group associated, as the announcement stated, with the Dashnaktsutyun party and the regrettably well-known Dro structure.

Unfortunately the discussion, on the whole, has a very one-sided, biased, and tendentious character. In particular, a lot is being said about the presumption of innocence of those being prosecuted. Presumption of innocence is the keystone of modern jurisprudence and an overriding principle of just legal procedure. And accusations of this kind look extremely serious. Therefore, it makes sense to try to look into the essence of the problem.

We will emphasize—the Security Council announcement was not made out of thin air, but on the basis of "all-round consideration of reports and facts presented by the Ministry of National Security and Ministry of Internal Affairs." It is for this reason that the Security Council came to the conclusion that, as a result of the operation that was conducted, "the direct danger threatening the lives of a number of people as a consequence of the actions planned by a terrorist group has been eliminated." According to the logic of the authors of many publications, however, it turns out that this danger should have been allowed to take place, then the terrorists should have been caught and tried, and only after this should they have been called terrorists. But, after all, there was no trial of the militants of the "Aum senrike" sect, the Basayev group that seized hostages in Budennovsk, or the bandits who exploded a bomb in the Paris metro—and this in no way precludes anyone from calling them terrorists. Just like the Dro.

The opponents of the authorities also claim that Ter-Petrosyan's team is trying to put an end to a famous traditional party under the banner of fighting terrorism.

It would be appropriate here to mention that all the "glorious traditions" of the notorious party from the first day of its existence bear precisely a terrorist tinge, because for the Dashnaktsutyun (as, for example, at one time for the Social Revolutionaries), terrorism is an acceptable and essential form of political struggle, if not the main one. It is this fact that gives this organization a certain "romantic" halo which, alas, does not square in any way with the modern notion of normal political activity. And it is absolutely not accidental that over the six months that passed after the activity of the party was suspended, Dashnaktsutyun did not even attempt to offer any guarantees whatsoever that it is ready to continue its activity within the framework of existing laws. It is quite clear. It was never a party of the parliamentary type, it did not develop appropriate organizational forms and a system of views, and therefore it is not in a condition to reject that which constitutes the essence of its existence—the ideology of violence. While earlier, before the establishment of independent Armenian statehood, this violence was aimed at a "foreign enemy," today a real tragedy is taking place— Dashnaktsutyun has an "internal enemy" in the form of the Armenian state and people, because the party cannot and is unable to convince the people of its suitability through the usual political methods. This wittingly excludes the possibility for it to participate in the present sociopolitical process. All that is left is to shoot.

In this connection—is the Dashnaktsutyun Party really a party? The Security Council announcement states that "it stopped being a political party in Armenia in the full sense of the word." We will permit ourselves to ask: When was it a party? Dashnaktsutyun is a classic organization of "a new type" in the Leninist sense of the term. And, incidentally, the absence until recently of more or less strong and realistic elaborations in the sphere of national development is tied in many ways specifically to the traditional lack in our country of purely political parties and to the presence of "revolutionary organizations" in the life of the Armenian people. Shoot—do not think....

The word "party" is even missing in the ARFD designation itself [American Revolutionary Federation—Dashnak). This does not prevent Dashnaktsakans from asserting to the whole world that "the oldest party is being oppressed." Of course, the reaction of many figures in the civilized West is negative. Well, can a party be treated this way?! One wonders whether they know how many explosions, deaths, threats, and violent acts this "party" has to its credit? Of course, they do not. Otherwise no one would assume the role of advocate, as no one undertakes to defend, for example, the organizers of violence in Northern Ireland. But, after all, there also a party (Sinn Fein) that stood behind the back of the bomb-throwers has long-standing traditions and the same kind of "glorious" history. It also disowns the IRA—its fighting detachment—just as the ARFD disowns the Dro. But you cannot deceive anyone in Europe with this. It is possible that the announcement of the republic Security Council will force some Western politicians to think about their own image and not make hasty statements. It is possible that it is necessary to explain that it was not the actions against the Dashnaktsutyun that were the basis of the present situation, but quite the contrary—the operations of the Russian FSB [Federal Security Service] and the GUNB [Main Administration for National Security] of Armenia against drug dealers that led the special services to the militarized structure of the party.

But who will explain this? Many of our newspapers, boasting of their "independence," originally took an absolutely unequivocal position—the authorities are always wrong. While defending the presumption of innocence, they are proceeding on the presumption of the authorities' guilt. This position not only looks unconvincing, it attests to an aspiration absolutely to politicize a question that stems from criminal problems.

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Unfortunately the discussion, on the whole, has a very one-sided, biased, and tendentious character. In particular, a lot is being said about the presumption of innocence of those being prosecuted. Presumption

We have become accustomed to the politicization of all aspects of our life. The present situation is not an exception but rather the rule. And this is very alarming, because this level of thinking impedes the construction of a rule-of-law state for which, it would seem, the paid and voluntary defenders of the "offended party" are fighting.

Azerbaijan

Opposition Disunity on Election Law Noted

954F3038A Baku ZERKALO in Russian 5 Aug 95 No 28, p 3

[Article by N. Aliyev: "Still No Unity in the Democrat Camp: The Opposition Parties Are Declaring Their Readiness To Boycott the Elections and, Simultaneously, Are Accusing Each Other of Separate Negotiations With the Leadership of the Republic"]

[FBIS Translated Text] Topic No. 1 in the domestic political arena at this time is undoubtedly the anticipated law "On Elections," with whose adoption the election struggle will assume a more specific outline. In mid-June the National Assembly adopted a decree according to which the law on parliamentary elections was to have been discussed and adopted prior to 31 July. The time has passed, increasingly less time remains until the date scheduled by parliament, and little has been learned about the existing drafts of the law "On Elections."

It was known that the Constitutional Commission headed by the president discussed four drafts of the law on elections to the highest legislative and representative body. We learned also that three drafts provided for the creation of a unicameral parliament and differed among themselves in the system of conduct of the elections—proportional (by party slate), majority (from the territories), and mixed—and the fourth, of a bicameral parliament, whose upper chamber should consist of deputies elected by an absolute-majority first-past-the-post system, and the lower chamber, by a mixed system.

Naturally, such limited information could not have satisfied the politicized part of the community, considering that such legislative instruments are distinguished by an extremely detailed mechanism of implementation.

Since Supreme Council Chairman Rasul Guliyev put forward at the end of last year the idea of the creation in the republic of a bicameral parliament, practically all political parties have soundly criticized it repeatedly, emphasizing that realization of this idea would lead to the federalization of Azerbaijan. There have been very few political forces supporting the idea of a bicameral parliament— it has been approved by the Alliance for Azerbaijan Party, which appeared last November and which supports the president's policy, and certain others. But even representatives of the leadership of the New Azerbaijan Party, of which Speaker R. Guliyev himself and both his deputies are members, incidentally, have declared that the they consider the creation of a unicameral parliament essential.

Commenting in an interview with the KHABAR-SERVIS Agency on his disagreements with the party of which he is a member, Rasul Guliyev declared literally as follows: "Aside from the fact that I am a member of the New Azerbaijan Party, I am speaker of parliament and, in addition, I am Rasul Guliyev and I have my own opinion on whether the future parliament should be unicameral or bicameral."

In an interview with the ANS-PRESS Agency Adalyat Ragimli, deputy of the National Assembly, cited as the main reason for the delay in parliament's adoption of an election law the disagreements on this issue between Speaker Rasul Guliyev and President Geydar Aliyev.

Whatever the case, a draft election law according to which the creation of a unicameral parliament elected by a mixed system was contemplated in the republic was recommended last week for parliament's consideration. This removed many problems. A statement of the Roundtable adopted in this connection says that "the Roundtable views as positive the withdrawal from discussion of the draft on a bicameral parliament."

But this, in the opinion of the opposition, was practically all there was that was positive about the bill. According to Zardusht Alizade, a leader of the Social Democratic Party, the Roundtable had presented to parliament its draft law, which had assumed as basis a bill drafted at the time of A. Elchibey's administration. "But this draft was ignored by the Constitutional Commission and parliament," Z. Alizade said, "and for this reason we are forced to demand of the leadership revisions to the law in categorical form."

The parties that are a part of the Democratic Congress and the Roundtable declared that in the event of the adoption of a law "not conforming to today's realities," they would announce an active boycott of the elections. But there is no particular unity in the camp of the democratic opposition even on this issue. Specifically, at a news conference of the parties that constitute the Roundtable none of the participants ruled out the possibility of separate agreements with the authorities. In addition, according to a report of the KHABAR-SERVIS Agency, one participant in the news conference declared that the National Independence Party was already prepared to conclude such an agreement with the authorities.

Araz Alizade, chairman of the Social Democratic Party of Azerbaijan, declared in this connection that "it is for this reason that he is proposing the signing by the top persons of all the opposition parties that constitute the Roundtable of a document so that those who have broken their word concerning a boycott be known to all and that this be retained at least in history."

A threat to boycott the parliamentary elections was heard once again in the statement of the People's Front, and the authors of the document maintain that this would stymie them. But it is now clear that if the People's Front and other opposition parties do not take part in the elections, this will happen not of their own free will, most likely. The opposition could take this step when it is clear that it could not be successful at the elections owing to an undemocratic law and some various other circumstances in addition.

The events in Nakhichevan and the charges against the People's Front on the part of representatives of the power departments of the republic are becoming increasingly significant for the People's Front of Azerbaijan Party. The People's Front of Azerbaijan Party, which has repeatedly been branded a terrorist organization, has not been registered with the Ministry of Justice. A substantial part of society had to a certain extent already been prepared for such a turn of events.

Armenian Official on Karabakh Talks

954F3066A Yerevan RESPUBLIKA ARMENIYA in Russian 9 Aug 95 p 1

[Interview with Vardan Oskaryan, deputy minister of foreign affairs of the Republic of Armenia, by unidentified SNARK correspondent; place and date not given: "The Question of Nagornyy Karabakh's Security Is Paramount"]

[FBIS Translated Text] As we have already reported, consultations have been held in the Austrian city of Baden on a settlement of the Karabakh conflict within the framework of the OSCE Minsk Group. The situation in the negotiating process was described to a SNARK correspondent by Vardan Oskaryan, deputy minister of foreign affairs of the Republic of Armenia, who was the head of the Armenian delegation.

"At the meetings in Baden, which were seen as a continuation of the consultations on key issues, a new form—consultations with each party to the conflict separately—was applied," Mr. Oskaryan said. "The question of the security of Nagornyy Karabakh and the problem of Lachin were discussed with our delegation. Although this is, in principle, a single question, for control over Lachin is an element of the security of Karabakh.

"The problem of the security of Nagornyy Karabakh was paramount at the negotiations. There was serious discussion in Baden of the idea of Armenia being accorded the possibility of broader participation in its solution. In my view, the cochairmen of the OSCE adopted quite a serious attitude toward the question, and it was actively discussed by the members of the Minsk Group also. But the idea is still in embryonic state at this time. The point being that there is a multitude of subordinate issues. Of what does the guaranteed security of Nagornyy Karabakh consist? How extensive or limited will the possibilities afforded Armenia be? What prior conditions might be advanced in response to this? Would this idea be realized by means of the conclusion of a bilateral—between Armenia and Azerbaijan—or trilateral—Armenia, Azerbaijan, Nagornyy Karabakh—treaty? Would this issue be part of the text of a political agreement?

"This idea will be discussed by the leadership of Armenia also. Would Armenia want to assume such obligations, and if so, under what conditions? We could not, understandably, give a final answer in Baden. This is why I expressed the following position in general outline. From day one of the Karabakh-Azerbaijan confrontation Armenia has avoided becoming involved in the conflict and continues to adhere to this position today and would not want to be pulled into it in the future. For this reason the wording of the proposition concerning Armenia being accorded an opportunity for broader participation in the conflict should contemplate this only as an extreme means. In other words, all other international and regional guarantees should be sufficiently strong to virtually exclude the possibility of Armenia's participation in this conflict. That is, this element of a guarantee of Nagornyy Karabakh's security should in no way weaken others, even less replace them. Armenia will assume such obligations, as a supplementary guarantee, only in the event of such an agreement facilitating the settlement process and moving it forward. Otherwise we also could reject this idea."

[SNARK] Could Azerbaijan appeal for assistance to a third country, Turkey, say?

[Oskaryan] In the course of discussion of the question of Nagornyy Karabakh's security Azerbaijan has attempted quite often to lead the discussion away from the essence of the problem, endeavoring to discuss initially regional security, and to move from the general to the particular. That is, their position is this: If we can ensure the security of the entire region, which includes both Azerbaijan and Armenia, we will thereby provide for the security of Karabakh also. Conceptually, this is, perhaps, correct. But the essence of the matter lies elsewhere.

The start of the conflict was connected with the appearance of a threat to the security of Karabakh, not Azerbaijan. Azerbaijan attempted to resolve the problem by way of the liquidation of the population of Karabakh. It is necessary first and foremost, therefore, to ensure the security of Nagornyy Karabakh and only after this to discuss the security of the whole region. And Azerbaijan's possible entry into such an agreement with Turkey would signify a departure from the essence of the question, and it amounts today, I repeat, to the guaranteed security of Nagornyy Karabakh, not the region.

[SNARK] How is the process of a Karabakh settlement going today?

[Oskaryan] In the course of the second round of negotiations in Moscow both Nagornyy Karabakh and Azerbaijan insisted at the start of the discussion of the question of the political status of Karabakh [sentence as published]. Armenia, which had from the outset believed that this was not the right time for this, agreed, and serious discussions of this matter took place in the course of the Moscow and Helsinki rounds.

It is interesting that in Baden Azerbaijan's position changed. Having declared the inexpediency of discussion of the status of Karabakh at this stage, the Azerbaijani delegation proposed that it be postponed until the final stage and that we embark on discussion only after the signing of a political agreement, which would not, incidentally, include the question of Karabakh's political status. Both the members of the Minsk Group and the cochairmen of the OSCE were so disposed. But Nagornyy Karabakh is advocating a package solution and the incorporation of the question of political status in the text of the agreement.

[SNARK] How does Armenia justify its position on this matter?

[Oskaryan] We believe that the positions of Nagornyy Karabakh and Azerbaijan on the issue of status are incompatible. In advocating the discussion of status, they were pursuing different ends. Karabakh wants a definition of its status prior to the withdrawal of troops from the occupied territories. Azerbaijan, on the other hand, wants to ascertain whether Karabakh will agree to accept the status which it wishes to accord it before a peacekeeping force is deployed in the conflict zone since the latter, in Baku's opinion, will signify a freezing of the situation.

Armenia's anxiety is caused by the fact that in this situation, continuation of the discussion of this matter could lead the parties to reach a conclusion as to the impossibility of a peaceful settlement. And this is fraught with the danger of violation of the fragile armistice that has been established and of a resumption of hostilities. Our goal is to strengthen the armistice, and this can only be done by way of the signing of a political agreement and the deployment in the zone of confrontation of a peacekeeping force, which would make the process of a peaceful settlement irreversible. Only after this will there be more propitious conditions for negotiations, and status could be discussed at the Minsk conference.

But there is one problem in this approach at this time—Lachin. As you know, a political agreement presupposes the deployment of a peacekeeping force in the conflict zone, the withdrawal of troops from the occupied territories, the return of the refugees to the places of their former residence, and an end to the blockade. In the opinion of the Azerbaijani side, the troops should be withdrawn from Lachin on the timetable of the general withdrawal of troops. Armenia and Nagornyy Karabakh consider essential the preservation of today's status of Lachin until the conclusive determination of the political status of Karabakh. For Lachin is a most important component of security, and its status can only be discussed after the political status of Nagornyy Karabakh has been determined.

[SNARK] When and where will the negotiations be continued?

[Oskaryan] The next round of negotiations will take place in Moscow on 4 September. The text of a political agreement will be discussed.

Commentator Views Relations With Ukraine

954F3037A Baku ZERKALO in Russian 5 Aug 95 No 28, p 7

[Article by Nurani: "Azerbaijan-Ukraine: Outside of the CIS or in Addition to the CIS? Toward an Understanding of the Results of the Top-Level Azerbaijan-Ukraine Meeting"]

[FBIS Translated Text] There is no doubt that the most important result of the Azerbaijan-Ukraine top-level meeting for us is Ukraine's consent to make available a troop contingent for participation in the OSCE peacekeeping force in Nagornyy Karabakh. In addition, the president of Ukraine unequivocally categorized Armenia's actions as aggression. No less important is the discussion of strategic matters concerning the situation in the CIS.

There is nothing surprising in so tough and scrupulous an assessment of Armenia's actions on the part of Ukraine. Kiev has every opportunity to encounter aggressive separatism in Crimea, and both the "Karabakh" and "Crimea" problems are essentially manifestations of one and the same process, what is more: The desire of Moscow's imperial circles to expand their sphere of influence in regions, control over which is important for the establishment of their own dominion over the straits of the Bosporus and the Dardanelles. Frankly, it is these considerations that also dictate Ukraine's intention to send its peacekeepers to Azerbaijan. Kiev has to understand that the success of separatists in one "flash point" of the former USSR could not fail to represent an inspiring example to others, integrated, what is more, in one and the same geostrategic process, and it is better to serve up such lessons on others' territory. In addition, Ukrainian fighters already have experience of participation in similar operations acquired in the former Yugoslavia, where a Ukrainian battalion is part of the blue helmets of UNPROFOR.

It is no secret that journalists, as a rule, comment with far more eagerness on individual remarks of politicians on political issues than on entire economic agreements. But in the case of Azerbaijan and Ukraine, economic routine is of enormous political significance.

The new accords between Baku and Kiev regulating practically the entire set of mutual problems are of particular significance. Azerbaijan and Ukraine have essentially in this way demonstrated to all their CIS brethren the possibility of the solution of questions that arise by way of the conclusion of bilateral agreements on an equal basis, without resorting to the creation of supra-state structures and interference in others' internal affairs and thereby striking one further blow at the hopes of the triumph of "centripetal" over "centrifugal" ideas.

This is not the first time that this has happened in our, if you will excuse the expression, Commonwealth. It was the intention of Moscow's political architects that the CIS should represent a military-political alliance headed by Russia with a far higher degree of integration than actually exists today, albeit with the preservation of nominal independence. Contemplated initially was not only a unified air defense system and strict external borders with transparent internal ones but also unified armed forces, which, incidentally, were never created: Each government wished to have its own "man with a gun."

This is eloquent proof, perhaps, that from the outset Moscow exaggerated the centripetal mood in the CIS. Not to mention the fact that it is quite hard today for any sober-minded person to convince himself of the CIS's ability to function if Armenia's aggression against Azerbaijan remains unpunished and Russia at this same time, without any justification, announces a transport blockade against our country. In addition, in view of the glaring heterogeneousness, it is hard for the CIS to come up with wording of agreements which suits all its members.

All these objective complications are superimposed on a highly specific background. Now, when the natural-historical political orientation of the former Union republics is gaining ever increasing momentum, it is hard to imagine the preservation and development of a political alliance based on community not of the future but of the past, the imperial legacy, that is. It is not inappropriate to recall that both the Azerbaijani and Ukrainian presidents have repeatedly censured the CIS and Russia, which heads it, for incapacity. And we will very shortly witness, most likely, a cardinal change in the internal structure of the CIS: Some states will unite in some integration community, others, on the other hand, will move even further away from Russia, endeavoring to achieve full-fledged integration in the world community.

The package of Azerbaijani-Ukrainian economic agreements will play a big part under such conditions. Both Baku and Kiev, obviously, will hardly demonstratively pull out of the CIS. But they have demonstrated that problems that arise can be resolved without recourse to the assistance of Commonwealth structures. Simply put, Baku and Kiev preferred not to go after new inventions for the "post-Soviet space" but to tackle emerging problems according to the rules of international law, as is done by independent states.

So no one intends, by all accounts, to withdraw from the CIS, which many joined under quite unconcealed pressure. But there are also, to all appearances, fewer than anticipated of those who are willing to realize their membership of this organization, which was formed on the basis of the past, not for the future, via participation in some specific projects. And it would seem that the Azerbaijani-Ukrainian negotiations have demonstrated to us how this contradiction will be resolved: The CIS will exist in and of itself, and interstate problems will be resolved in and of themselves. And at some point in time the CIS, which has become a purely declaratory body, will simply be forgotten.

Labor Discontent in Oil Sector Examined

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[Article by VYSHKA oil and chemistry department editor Raufa Kender: "Oil—the Economic Frontier"]

[FBIS Translated Text] A few days ago Moscow radio reported that oil workers of the NGDU [state oil-production administration] 28 May are ready to go on strike. There is only one demand: Pay out arrears in back pay. Is this really true? I asked R. Kurbanov, general director of a production association for off-shore oil and gas production.

"This is a canard," he replied. "Oil workers understand very well that Azerbaijani sovereignty rests on the fuel and power generation complex, its 'black gold.' As long as we produce oil, there is bread, water, electricity in apartments, the subway operates and buses run—life goes on. An oil well is not a machine tool—it cannot be idled, otherwise, the sand "clot" will shut off access to the oil from the reservoir to the hole. Months will be needed for repairs and restoration of operating conditions. People could lose their jobs altogether, their source of livelihood. And off-shore rig workers are paid on average 293,000 manat a month today."

[Kender] But how are families to live in such a high-cost environment when wages are held up for three months?

[Kurbanov] Everybody will get what they have earned. The money is not lost. The company and administration leaders are taking extraordinary steps to pay off the arrears. [end Kurbanov]

Despite a very grave financial situation, the oil industry overfulfills state orders for oil and gas month after month. Since the beginning of the year, 4.5 million tonnes of oil have been produced off-shore—92,000 tonnes of them above the state order—and 3.6 billion cubic meters of gas, 24 million above the plan. The flagship of the business is the NGDU 28 May, which is developing the Gyuneshli field and accounts for 76 percent of total oil production. All off-shore NGDU's have met their targets. People work on platforms in the open sea, through storms and oppressive heat, day and night. Despite the lack of proper material and technical supply and company-provided meals, they stabilized oil production on old sites. They earned 137 billion manat in profit, twice that planned. Unfortunately, the profits remain on paper, not in bank accounts. Drilling is barely alive. Only 33 percent of the plan has been fulfilled. While the plan called for the completion of 22 wells, only 11 were completed. The Sangachal and Primorskoye drilling administrations over seven months have not drilled a single meter of penetration. The MURB [offshore exploratory drilling administration] Nulla has fulfilled 8.2 percent of the plan, Gum Adasy—46 percent, Neft Dashlary—56 percent, and Bail Limany, which operates exclusively in the high-yield Gyuleshli oil field—70 percent. The entire huge fleet of floating drilling rigs is laid up. Everybody is sustaining losses.

And how can one increase production without new wells—everybody knows that oil's place is at the drill tip. There is no money, so the oil industry does not buy anything, does not spend anything, and does not build anything."

Scientists also are in a bind.

N. Aliyev, director of Gipromorneft [State Design Institute of Offshore Oil Production], says:

"We complete all research and technical design of individual structures and oil fields and pipeline construction on time, but, just like the production sector, we are not paid on time. We are not complaining: We sit here in warm buildings, in offices, while other people are at sea, on the platforms. Every day, however, dozens of scientists write petitions for financial aid. More than 100 persons have left. Telephones in the institute have been turned off, and when electricity is shut off without warning, computers fail, and quite often many days of work is lost. We have to start from scratch. It turns out that one can get used to any outrage...."

The situation of oil producers on shore is no better. Their wages average 194,000 manat. Workers call from the most remote mountain fields: "Give us money, we have nothing to live on!" I was present when an oil worker from NGDU Skazanneft got on the line with Suleyman Vezirov, deputy general director for economics. "I am from the team working on capital repairs of wells." he said. "We work 12- hour days. We carry, join, and detach heavy boiler oil pipes. We are exhausted, but there is nothing to eat except bread and tea. I have dependents—parents, children, my wife. I am ashamed to look into their eyes. What kind of a provider am I if I bring no money home? Why are you humiliating us like this—pay our wages on time, after all, we fulfill the plan."

"What can I tell this man? I hurt for the oil workers—they are starving. July is behind us, and we have not even paid them in full for April," says S. Vezirov, swallowing valerian drops.

Such major NGDU's as Shiratsineft, Balakhanyneft, and Surakhanyneft, from where the bulk of the output comes, are owed 300 million manat each for April alone.

"We are waiting patiently, and working," adds Isfagil Aliyev, chief of the NGDU Binagadineft. "Since the beginning of the year we have produced 7,000 tonnes of oil above the plan and about 2 million cubic meters of gas. But we still see no money."

Overall, over the five months since the beginning of the year Azneft has not fully met plan targets—only 96 percent. It met the planned target in July, after the new general director Ya. Dzhamalov took over in June. They promise to make up for the remaining lag of 33,000 tonnes by the end of the year. But this is unrealistic. Not with 2,800 idle wells and the plan for drilling being only 16 percent fulfilled. And how can one mobilize people anyway when there is no way to provide incentives for their labor?

"Where Is the Oil Industry's Money?" was the title of an interview with the acting chairman of Goskomtoplivo [State Fuel Committee], R. Vagabov, published in VYSHKA on 8 July of this year. It named the main debtors, those who do not want to pay the oil industry for fuel delivered: the Ministry of Agriculture, the aviation and the power generation sector, municipal services, etc.

"Have any of the free consumers of fuel felt pangs of conscience since then?" I ask Rivazan Vagabov.

"No. You cannot break through this wall with pleas. Sanctions need to be applied, money attached, because not all the consumers of our fuel are insolvent," he replied.

Goskomtoplivo also suffers—it has been fined 7 billion manat recently for not paying bills on time.

This time I went to Prominvestbank, among whose shareholders and clients is the GNKAR [State Oil Company of the Azerbaijani Republic]. Here is a conversation I had with Vilayat Mardaliyev, deputy chairman of the bank's board of governors.

[Kender] Vilayat Teymurovich, the well-being of any bank depends solely on the well-being of its clients. For you it is the oil industry. It is collapsing, while your bank seems to be watching from the sidelines.

[Mardaliyev] This is a false impression. Oil production has always been a priority for us. But we are unable to solve all the problems. We are all lucky that inflation currently is 5-6 percent a month instead of 50 percent like it was last year. Wages are not being devalued. People will get them. Half of my workday is spent searching for money for the oil industry. The situation was improved somewhat by the Cabinet of Ministers decision of 20 May ordering the daily transfer of 40 percent of money coming into Goskomtoplivo accounts to oil industry accounts. I personally monitor it—I have right here a report on the movement of payments. For instance, on 27 July 653 million manat were transferred, on the 28th—767 million, and on the 31st—1.138 billion. The money is coming. The volume of transfers depends on Goskomtoplivo. Its arrears to the oil industry have reached an astronomical figure—866 billion manat. Among the debtors are such major delinquents as the Ministry of Agriculture, Azerenergiya, Azerigaz, Azal, the Baku executive authority, and others. These are not poor consumers; they are not bankrupt. It is possible to get money out of them, and it must be done. For instance, Azal's arrears in payments for fuel—40 billion manat— equals the two-month payroll of the entire oil company. The aviators do not pay for fuel, and at the same time opened their own bank, using others' money with impunity.

Another 40 billion is owed to Goskomtoplivo by Agrobank and Sberbank. If we could get this money out of them, we could immediately release it to pay April-May wages and begin paying off the June arrears.

The Azerenergiya company also is a major delinquent, but the company itself is owed 30 billion manat by the population in past- due electric power bills.

[Kender] Does Prominvestbank participate in interindustry clearing?

[Mardaliyev] Most actively. This is also a constructive way out of the situation—although it does not bring in more money, it does reduce the debt. Through mutual settling of accounts our bank helped the oil industry to settle the bills for electric power, gas, water, pipe, special clothing, chemical products, etc. We paid 1 billion manat to Karadagtsement, and 700 million to Imeni Sattarkhan Plant. Our participation helped offshore oil companies cut the debt by 102 billion manat and pay off some loans.

In the past the oil industry used to take loans to pay wages. Navruz Bayramy was among them—we gave them 12 billion. But they have not paid back even half.

[Kender] But you charge 260 percent interest annually on loans—this is a direct road to the debt pit. Can you not charge a more sensible and realistic interest rate?

[Mardaliyev] The credit policy is set by the National Bank. It gives us money at 200 percent annually, and we give it to our clients at 260 percent. Since 1 July the rate for us has been reduced to 140 percent, and for our clients—145 percent.

[Kender] Vilayat Teymurovich, do the republic government and the Ministry of Finance not see how the oil industry is collapsing? Oil production has declined by 1 million tonnes, gas—by 1 billion cubic meters a year. Right now 2,800 wells are idle on dry land, and more than 500 at sea. Within the next few years we could become oil importers. Comprehensive radical rescue measures are needed— immediate financial infusions into oil production, stop shipping petroleum products without prepayment. Oil feeds the republic, its military, its refugees, the unemployed. We will not survive if oil production stops.

[Mardaliyev] All true—if we do not save the oil industry we will lose our sovereignty. We have an obligation to provide a decent living for oil industry workers, that is, to pay wages on time, and invest in production. Prominvestbank will do everything in its power. But we all need new constructive decisions—support for the oil industry on the part of the Cabinet of Ministers.

The oil industry is eagerly awaiting this.

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